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ABSTRACT

At this hearing, one of a series conducted across the nation on the reauthorization of the Higher Education Act of 1965, testimony was heard on issues of concern to three panels of experts on higher education in the state of Nebraska. The witnesses included Robert E. Caldwell, student body president from the University of Nebraska (UN) at Kearney; Wanda Halvorson of the Nebraska Association of Student Financial Aid Administrators; William Hasemeyer of the Mid-Plains Community College Area; Martin Massengale of the University of Nebraska; Andy Massey, president of the UN Student Association; Jeannine Phelan of Educational Planning Centers; Thomas Reeves of Hastings College; Kay Schallenkamp of Chadron State College; Kathleen Seline of Creighton University; Robert Smallfoot of McCook Community College; and Barbara Snyder of UN at Kearney. The issues that the witnesses addressed included cooperative education programs, student financial aid needs assessment reform, Pell Grants, minority access to higher education, burdens on middle income families, programs for disadvantaged students, state aid to students and institutions of higher education, the role of community colleges, and educational opportunities in rural areas. The prepared statements of the witnesses and others are included along with various supplemental materials. (JB)

ED343502

OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965: KEARNEY, NEBRASKA

HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

HEARING HELD IN KEARNEY, NE, JULY 15, 1991

Serial No. 102-58

Printed for the use of the Committee on Education and Labor

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

MONDAY, JULY 15, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Kearney, NE.

The subcommittee met, pursuant to notice, at 9 a.m., at Ockinga Center, University of Nebraska, Kearney, Nebraska, Hon. Pat Williams presiding.

Members present. Representatives Williams and Barrett.

Staff present: Tom Wolanin, staff director; Maureen Long, legislative associate; and Beth Buehlmann, minority professional staff member.

Chairman WILLIAMS. This is a hearing on the Reauthorization of the Higher Education Act before the Subcommittee on Postsecondary Education.

I'm delighted to be in Nebraska at the University of Nebraska at Kearney with your good Congressman Bill Barrett.

We have had a couple of dozen hearings on the reauthorization of America's basic Federal law governing higher education. We reauthorize this legislation usually every 5 years. If it is to be reauthorized, it must be reauthorized in this Congress.

We will have another couple of dozen hearings, many of them in places around the country. We're particularly pleased to be with the subcommittee in Nebraska, a State which has a long tradition of excellence in postsecondary education at all levels.

And with the inclusion of what was once Kearney State into the university system, we have noticed that your aggressiveness and attentiveness to education and willingness to change continues unabated here in Nebraska.

When I told a friend of mine in Montana that I was coming out with Congressman Bill Barrett to Nebraska, he said, have you got a few minutes. I want to run home and get you something because it's like a visa, it'll help you get in the State and stay there, and he brought me back this button.

I don't have to ask you what "go big red" means. The entire world knows what "go big red" means. And so I shall keep this button close at hand as not only a visa but as an indication of Nebraska's excellence in higher education both on and off of the playing field.

You have been a leader, not only in football but in academics and intellectual excellence as well and the rest of us in the Nation follows your lead in that regard.

You sent a fine Congressman, greatly concerned about education, who comes from your unique Nebraska legislature with as good credentials as any one has ever brought from a legislature to the Congress of the United States. I'm delighted to be one of Bill's colleagues on the House Education and Labor Committee and on this subcommittee.

Today, we are going to be very interested in the testimony we'll receive. For my part, I am hoping that the various witnesses will address to some degree or other several specifics. Let me just list them off for you rather quickly.

First is access. I know people in Nebraska continue to, as you've demonstrated with the recent inclusion of this campus in the university system, you are concerned about continuing access to education, particularly higher education for all Nebraskans.

We're hopeful to hear any thoughts you might wish to share with us about the guaranteed student loan program, Pell Grants, campus based programs and to what degree you think they are adequately providing assistance to Nebraska and America's college bound people.

You also, some of you might want to address, in that regard, the matter of indebtedness. We find that while the guaranteed student loan program is of significant assistance to Americans, it also creates an indebtedness which might have some unintended consequences.

You may want to address in Title III, the Strengthening of Institutions, in particular emerging institutions. And then finally, I have a particular interest in structuring the Higher Education Act in such a way that we deal with the true student today.

Institutions in this State and elsewhere have seen a change in the student body. I guess that new student body goes by the name of non-traditional. I'm not sure what that means.

We do know that some in the country still hold to a myth about the profile of the student body in America. They, some people, I suppose a great minority now, but some people still believe that the average student on American campuses is 18 years old, male, white, and in enrolled in a business school.

Many students are all of that, but that's not the average student today. The average student is what we call non-traditional and the Congress is, as we have in the last couple of reauthorizations, particularly the one 4 years ago, we have been striving to try to make the act respond to, reflect and encourage the new mix of students that are on America's campuses.

Finally, I want to say a word about the difficulty that middle income Americans are finding in sending their children, their students to college.

Middle income folks have during the past decade seen college tuition rise four times as fast as their disposable income. College tuition has gone up 60 percent. Disposable income, counting inflation in, has decreased over the past 10 years.

Middle income people feel squeezed. Middle income people are mortgaging the home or the farm in order to send their children to

college. Middle income folks are tapping their savings accounts and it's one of the reasons why America's saving level is not as high as it ought to be.

Some of you may have suggestions as to what this country can do to right the terrible financial imbalance that has creeped into the ability or inability of so many middle income people to send their children, their student on to college.

Middle income folks after all are the anchor of America's tax system, but they find themselves excluded from receiving virtually any assistance from the Nation to help their youngsters in college.

Well, Congressman Barrett, you brought the subcommittee to, obviously, a fine place and I want your constituents and others in this room to know how impressed you were with me at the airport last night, when I got off the plane, disembarked, I think the airline industry likes to call it deplaned, another word I don't know the meaning of, came in to the airport and an old friend of Bill's, a CPA in town, said, well, we know you're here and we're delighted that you and Congressman Barrett are going to be having this hearing out at Kearney State and I immediately corrected him.

I said, no, no, the University of Nebraska at Kearney. Bill was so impressed with that—Congressman, I'm delighted to be with you.

Mr. BARRETT. Thank you, Mr. Chairman. You follow instructions very well.

I want to say to Congressman Pat Williams of Montana, welcome. A big Corn Husker welcome to this State and incidentally, welcome to the University of Nebraska at Kearney.

I'm really pleased to have Congressman Williams here. I'm particularly pleased to be able to hold a hearing, a congressional hearing in the middle of Nebraska.

This is a rather unique, unusual circumstance and I think that speaks to the importance of this issue, which is specifically the reauthorization of the Higher Education Act.

This is a very important matter to the Congress. We are now in the process of holding a total of 46 hearings across the United States with reference to rewriting the Higher Education Act.

This hearing today in Kearney, I believe, is the 35th meeting of this subcommittee. We will begin the torturous process of rewriting the act next month in DC.

I'm particularly pleased, also, to be able to welcome the subcommittee staff, which we have with us today, who have been brave enough to venture outside the Washington Beltway and come out and find out how the other half of the world lives.

I was particularly pleased that our staff, my staff person, took the back road from Grand Island to Kearney last evening so that the members of our subcommittee staff from Detroit and New York were able to listen to the corn grow. It was a unique experience for them, I believe.

Today we're here to listen to the concerns and the recommendations of these experts in higher education. We have with us today three panels who are, indeed, experts. These are the people that help administer and spend nearly $20 billion in Federal tax money to administer higher education.

I'm especially anxious to hear from rural students as well. And one of our panels today does include testimony from the students.

These people who are coping today with the higher costs of education, among other things.

Recently, the Congress passed the High Performance Computer Act, and I included, as a member of the committee, a request that the the General Accounting Office report back to the committee the accessibility of high speed computer technology for rural colleges and libraries.

And I hope that report will help guide the Congress as we do rewrite the authorization bill, in addressing the important need for colleges, rural colleges, to have access to this type of vital technology.

I am led to believe that sometimes we in the rural parts of this Nation take a backseat to accessibility of this new technology as compared to our more urbanized colleges and universities.

But the people that are here today testifying realize the importance of all of that, because they do have to administer the existing higher education system on a daily basis and as well, these people will have to live with the changes that we're going to be making.

These changes will be ones, we're all going to have to live with probably up until or perhaps through the year 2000. So again, I think it stresses the importance of what we are about.

Certainly one of the concerns that we'll have to address are the needs, as Chairman Williams says, of the middle income families. We have done a pretty good job, I think, in terms of lower income families but there is perhaps a void out there and Congressman Williams has introduced specifically H.R. 2561, which deals directly with this particular issue.

I was with Pat in Montana on Saturday and we were concerned with that specific issue and heard some excellent testimony at that time. The bill simply includes a provision, among other things, that would exclude the assets of the families home and or farm from the calculation of expected family contribution in determining a student's financial aid.

I think this is particularly important to us in rural areas. It somehow doesn't seem fair that in computing the eligibility we're looking at not only the value of the farm itself, but also the income that is derived from that farm. I think something needs to change in that area.

So, Chairman Williams, I certainly look forward to working with you and making sure that that provision is and does become a part of the Higher Education Act I think it's tremendously important.

As I indicated earlier, I also have a concern about loan defaults. This, I think, is becoming an increasingly serious problem. I have been talking about a $2 billion default rate in terms of about a $6 billion appropriation for loans and grants.

I'm led to believe now that that figure is perhaps as high as $3.4 billion. Any time we begin looking at nearly half of our loans in existence being in default we have a terribly serious situation and something needs to be done and needs to be done quickly.

I'm proud to say that the average default rate for those institutions who are testifying here today is about 4.5 percent. So we have something to be proud of in this particular area. As a matter of fact, in the limited research that I did, I believe that the lowest default rate in terms of the 12 or 13 institutions in my congressional

district is 2.2 percent. And that happens to be the College of Technical Agriculture over at Curtis. Again, something, I think, that we can be very, very proud of.

Mr. Chairman, there are three people who have asked that we insert into the subcommittee's record a statement, if you will please, from the University of Nebraska, Lincoln's College of Engineering and Technology concerning Title VIII, and secondly, a statement from Mr. Bob Walker, President of the Rocky Mountain Association of Student Financial Aid, and finally, from Cheri L. Clark, Director of Financial Aid, Capital School of Hair Styling; if that is possible?

Chairman WILLIAMS. Without objection, we'll include each of those statements as part of the hearing record.

[The statements follow:]

University of Nebraska Lincoln
College of Engineering and Technology
July 26, 1991

Office of the Dean
W181 Nebraska Hall
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I am writing this letter in regard to Title VIII. Ferd Anderson and Connie Husa attended the Congressional Hearing in Kearney on July 15, 1991 and received permission for the contents of this letter to be added to the Hearing Record.

I want to offer testimony on the subject of Title VIII of the Higher Education Act which pertains to federal funds for post-secondary cooperative education programs. Represented in this testimony are the views of co-op practitioners as gathered by the National Commission for Cooperative Education, the Cooperative Education Division of the American Society for Engineering Education, and the Cooperative Education Association, Inc.

ASEE defines cooperative education as an integration of classroom work and practical work experience in an organized program under which students alternate periods of attendance at College with periods of employment in industry, business, or government. Our College of Engineering and Technology has one of the most active co-op programs at the University of Nebraska-Lincoln and we believe very strongly in the value of cooperative education.

The UNL College of Engineering and Technology is the only college of engineering in Nebraska. We have about 2400 undergraduate students; two-thirds of them are on the Lincoln campus where the engineering courses are taught and the other third are on the Omaha campus where the bulk of the technology courses are taught. The College is part of a land-grant university with the mission of teaching, research, and service to the State. The research program was considerably enhanced by the State's Research Initiative passed by the Legislature three years ago.

Cooperative Education was begun in 1906 in the school of engineering at the University of Cincinnati. It was not until the federal government began making funds available through the Higher Education Act of 1965 that co-op programs were developed to any great extent. Over 85 percent of this program's funding supports the implementation of new cooperative education projects. These are administrative funds used to develop systems, identify job opportunities and guide students through the cooperative education experience. As the various programs take hold, the college or

university assumes a larger percentage of support. The remaining funds are used in various ways such as innovative and improved ways of conducting programs and research vital to program performance and growth.

Students as well as employers benefit from an active cooperative education program. Co-op has become an excellent vehicle for gaining experience before graduation. Students, and parents, gain a valuable source of funds to meet rapidly escalating tuition costs. And employers are being very up-front about the fact that they use student programs, such as co-op, for recruitment of permanent hires. Needless to say, there are several other benefits for both students and employers.

Title VIII Reauthorization will impact students, institutions, employers, and the federal government. Two thirds of the colleges and universities in the country, representing approximately 13,000,000 students, have yet to develop cooperative education programs. Particularly in light of the escalating cost of higher education, fiscal constraint in institution finances, and the burgeoning student debt and default rates, cooperative education should be available to more students. Interest in co-op has increased greatly during the past five years due, in part, to the Ad Council's national ad campaign for cooperative education. The campaign, undertaken at the request of the National Commission, has resulted in $150 million of donated advertising, and 400,000 pieces of literature distributed to students, parents, high school guidance counselors, and employers. Since the beginning of the campaign, the number of co-op students has increased by 48 percent.

In order for cooperative education to be available to more students, the federal government must continue and expand Title VIII funding to allow institutions to develop strong programs and increase outreach to traditionally underrepresented groups. In many cases, it has been the presence of federal funds that has prompted schools to invest state and local funds in the programs. Recognizing the importance of Title VIII, the Administration has included funding for Title VIII in the FY '92 budget request for the first time in more than a decade. The Congressional support which has maintained Title VIII funding since its inception is crucial to the expansion of access to this vital program.

Finally, the federal government is undeniably the leader in education. No major movement to provide equity for students across the country has or will come from the states. At a time when industry is practically demanding experience along with a degree, it is imperative that the federal government really support the only program that closes the loop between learning at work and learning in the classroom.

Thank you for including this letter of support in the file. I look forward to a favorable action on the part of the federal government.

Sincerely,

Morris H. Schneider
Acting Dean

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STATEMENT OF THE

ROCKY MOUNTAIN ASSOCIATION OF

STUDENT FINANCIAL AID ADMINISTRATORS

REPRESENTING THE STATES OF

COLORADO, KANSAS, MONTANA, NEBRASKA, NORTH DAKOTA
SOUTH DAKOTA, UTAH and WYOMING

BEFORE THE HOUSE SUBCOMMITTEE ON

POST-SECONDARY EDUCATION

FIELD HEARING AT KEARNEY, NEBRASKA

PRESENTED BY

ROBERT WALKER
RMASFAA PRESIDENT
CREIGHTON UNIVERSITY, OMAHA, NEBRASKA

JULY 15, 1991

Congressmen Barrett and Williams, it is a pleasure to have this opportunity to present the views of the members of the Rocky Mountain Association of Student Financial Aid Administrators to you and the other members of the Subcommittee. Although the over three hundred members of RMASFAA have had extensive input through our national association, NASFAA, we wish to highlight several areas of particular concern and interest.

As an association of professional financial aid officers, we strongly endorse the following positions relative to the Reauthorization of the Higher Education Act of 1965:

1) The elimination of the provision for determining independency status, for financial aid purposes, based on the minimum resources/non-taxed exemption status. We support the concept that all students under the age of 24 be considered dependent students, requiring parental information, with exceptions granted only after a review by the school's aid administrator of individual extenuating special circumstances. Automatic independent status should be reserved only for those who are 24 or older, veterans of the armed forces, orphans, married students, graduate/professional students or students with dependents.

The current system encourages manipulation by families affluent enough to provide financial support for their children. This change would also affirm the philosophy that the family bears the primary responsibility for financing postsecondary education of family members, not the taxpayer.

This change would greatly simplify the application form and the related set of instructions, benefiting both the applicant and the aid administrator as we attempt to explain/document the current procedures.

The aid administrator, working directly with the student at the campus level, is in the best position to determine the dependency status of students with special situations.

2) The continuation of the use of professional judgement by the aid administrator for the campus-based aid programs and once again extend it to the Pell Grant program.

Special condition analysis should be continued for the Pell Grant program, however, the special conditions criteria do not begin to cover the multitude of extenuating circumstances in which parents and students find themselves. Any measurement system will, for certain individuals, be an inexact index of ability to pay for college costs. Only through this option can need analysis be sensitive to specific situations, as opposed to a strict formula based system.

3) The simplification of the student aid delivery system to include;

A) the elimination of the Student Aid Report (Pell Grant) as part of the delivery system, and

B) the elimination of prescribed need analysis evaluations for families already qualifying for certain social services and other infrequently used standardized formulas. (ie. Simple, Dislocated Worker, Displaced Homemaker)

The Multiple Data Entry processors have demonstrated the capacity to accurately and efficiently establish a student's Pell Grant eligibility and transmit this information to the appropriate higher education institution. To delay the proper payment of funds to a student due to lacking a piece of paper is ludicrous in this age of electronic communication.

The complexity of several formulas imbedded in the need analysis system has complicated the application completion process for students, increased costs to the federal government due to computer programming and regulatory changes and served very few actual aid applicants. National studies have indicated less then 3% of the total filing population qualifies for these special calculations.

t also does not necessarily give an accurate picture of the financial strength of particular applicants. By eliminating these special formulas, the application and delivery process is simplified and the campus aid officer, through professional judgement, can still address those students with distinctive situations.

4) The review of the formulas calculating the contribution from both dependent and independent students. This review should include a careful analysis of the family size offsets and standard maintenance allowances against income and the appropriateness of currently used taxation rates.

Many RMASFFA members feel the current formula in Congressional Methodology treats the resources of independent students too generously. This has caused a shift in the type and amount of funding available to this student population from the previously used Uniform Methodology.

Also, is the use of prior year income information reasonable when determining the resources available to students? We simply question if equity exists in the distribution of limited federal and institutional aid funds.

5) The student aid application/delivery system should focus solely on financial aid, and not in policing other social policy.

.though we all desire financial assistance funds to be directed to deserving students, we question the desirability of enforcing social goals via this unrelated system. Compliance with Selective Service, Immigration and Naturalization and anti-drug abuse certifications serve to further complicate an already overburdened process. Computer data based matches are best suited to accomplish this function rather then the financial aid administrator.

6) The notion of a nationally standardized aid packaging formula is not pertinent nor conducive to the needs of individual student aid applicants or schools.

Just as a national need analysis formula does not always adequately address the specific circumstances of a family, neither does a standardized method of distributing aid dollars. Existing aid programs all have guidelines as to qualifications and each school has differing amounts of funds available under each campus based program. These factors already define what a school can offer students and to further delineate adds more time and money spent on regulatory endeavors at the expense of students.

7) Until the Pell Grant is adequately funded, it is inappropriate to permit less then half-time students into this aid program.

The current maximum amount of $2400 per year is woefully short compared to today's college costs. Following the passage of the Middle Income Student Assistance Act of 1978, the maximum grant has increased only $600 to its 1991-92 level. To further erode the "buying power" of Pell Grant funds exacerbates the funding shortfall already experienced by the majority of Pell recipients. Likewise, we encourage the elimination of Pell eligibility for correspondence study and limiting Pell funds for incarcerated students to only direct costs, such as tuition/fees, books and supplies.

Other areas where we encourage action are:

A) The development and implementation of a National Student Loan Data Base,
B) The development of program regulatory relief for schools meeting certain performance criteria of excellence and competency,
C) The development of standardized Part B loan applications, and
The prompt formulation and delivery for comment of proposed Department of Education regulations.

On behalf of the RMASFAA membership, thank you again for this opportunity to express our views. As ever, we are at your service to provide additional background material in support of our stances.

Capitol SCHOOL OF HAIRSTYLING

TO: Congressman Pat Williams
Congressman Bill Barrett

FROM: Cheri L. Clark
Director Financial Aid

DATE: July 12, 1991

On behalf of Capitol Schools of Hairstyling, I would like to thank you for allowing me to provide written testimony to you regarding the House Postsecondary Education Field Hearing for Reauthorization of Title IV Federal Funds that will be held Monday, July 15, 1991 at the University of Nebraska at Kearney.

I realize that there are several issues that are being proposed under Reauthorization and I would like to outline for you my input on some of these below:

A. Throughout the entire Reauthorization process, I would like to ask that you keep in mind that students should be allowed "Freedom of Choice", to attend the "Institution of Their Choice", once they have made the decision to continue their education within the postsecondary educational system.

1618 Harney St., 68102 (402) 342-4821 / 2819 So. 125th Ave., Suite 268, 68144 (402) 333-3329

B. The Pell Grant, its funding levels and students grade level eligibility as been an issue for several years. It has been proposed in the past that the Pell Grant Program be awarded to students for their first and second years of postsecondary educational training with the loan programs being available for the third and fourth years of training. I would hope that during reauthorization Congress would reevaluate this concept and make the determination to implement this.

C. The Cohort Default Rate is of concern to everyone and provides very vital information to the Department of Education, Lending Institutions and to Postsecondary Institutions. The Rules and Regulations that have been stablished for both the Lending Institutions and Postsecondary Institutions are valuable and essential. These have established a good working relationship between both institutions and this type of relationship needs to strengthen and continue. We do need to keep in mind that Postsecondary institutions do not approve the loan nor do they collect the loan. Postsecondary Institutions do, however, play an active role in counseling the student, while they are in attendance. Once the student leaves the school, however, they loose direct control over the loan collection steps that the lender is performing.

The Cohort Default Rate is based upon the number of borrowers in default and not the dollar value of those that are in default. We do need a formula to determine the Default Rate, however, it appears that the statistics should take into consideration <u>all</u> the factors that are involved with defaulted loans instead selecting only a portion of the complete picture.

An example:

Nool A has five (5) students in default with a dollar value of $1,000.00 is treated the same as School B who has five (5) students in default with a dollar value of $10,000.00. Schools do not default on student loans, borrowers default on student loans.

D. The use of Professional Judgement needs to be administered uniformly throughout all of the Title IV programs. Currently, the Financial Aid Director is permitted to utilize Professional Judgement with the Campus Based Financial Aid (i.e. SEOG/SSIG/Perkins Loan/CWS), whereas they are not permitted to use this with the Pell Grant Program. Financial Aid Directors are permitted to file Special Condition forms for the Pell Grant Program, however, these conditions vary from the administration of Professional Judgement. We need to insure that all Title IV aid is administered the same, utilizing the same eligibility criteria to insure proper utilization and distribution of Title IV funds.

E. Providing Technical Assistance to Institutions instead of students would benefit not only students with need, but students without need as well. A basic concept of federal financial assistance is to help those students who can not afford college educations and not subsidize those who can. To subsidize institutions could remove the "Freedom of Choice" for the student and could force them to choose subsidized institutions over nonsubsidized institutions for matters of finance rather than program offerings. Funding such as this should remain within the Title IV programs to insure fair and equitable awarding to the needy population.

F. Providing Pell Grant assistance to the less than half-time recipients would work, if there was adequate funding. If the Federal Government does not plan to provide additional and sufficient funding, then this should not be considered. We need to give priority to insure that we are providing adequate support to students who are attending on at least a half-time status first.

I would like to "thank you" for taking time out of your busy schedule to host this hearing and permitting me to provide you with this written testimony.

Mr. BARRETT. Thank you, and I am looking forward to hearing the testimony today from three excellent panels of experts in the field of higher education and I'm specifically looking forward to finding out how these people are coping with the challenges which are facing.

Thank you, Mr. Chairman.

Chairman WILLIAMS. Thank you, Bill.

We do, as Congressman Barrett has noted, have three panels, excellent people. Bill wanted to include as many folks as possible today.

The gavel will fall in Washington early tomorrow morning and we have to be back there when it falls, so we would only encourage you all to remember that you're entire statement will be printed in the record, as part of the hearing and of course included on our record.

And we'll ask you to summarize or present your remarks in a manner that would be within keeping with our time, because we want to hear from, give adequate time for members on all of the panels.

Now, every hearing one goes to, one finds that the microphone systems don't work as well as they ought to, which is obviously the fault of those teaching electronics in our colleges and universities in America, so we have to wait just a moment, I guess, until the new mixing box is put in to place, and then we'll begin to hear from our first panel of witnesses.

Here comes one of those students now.

We will first hear from Doctor Massengale, the President of the University of Nebraska. Doctor, it's nice to have you before this subcommittee again. I look forward to your testimony.

STATEMENT OF MARTIN MASSENGALE, PRESIDENT, UNIVERSITY OF NEBRASKA

Mr. MASSENGALE. Thank you.

Congressman Williams and Congressman Barrett and ladies and gentlemen, I am Martin Massengale, President of the University of Nebraska.

First, let me say that we're delighted to have you in the State of Nebraska today and I am personally pleased to have this opportunity to discuss elements of the reauthorization of the Higher Education Act.

Congressman Barrett, I should say, as a result of the University of Nebraska, prior to becoming a part of the University, that we now have a hook up to permit that on this campus and that in turn, through the Lincoln Campus, so we are a high computing network, and I'm pleased about that.

The legislation that we're talking about today is of great importance to the Nation and to Nebraska. At a time when budgets are extremely tight, when many States have experienced mid-year budget cuts in one form or another and higher education institutions across our country are facing potential budget cuts for the coming year, this reauthorization legislation becomes very, very significant.

Many universities, like our own, are balancing on a fine edge between the need to maintain a quality that we've worked so carefully to achieve, and at the same time settling to keep costs as low as possible.

Let me say this morning our support for higher education needs to come in many critical areas. Some of them are addressed in this legislation.

The University of Nebraska is a land-grant university of public higher education as conceived in the Morrill Act of 1862, as a concept of access, as one of it's founding platforms. It is clearly apparent that providing access is in the national interest and has been and should continue to be, in my judgement, a priority of the Federal Government.

Most critical portions of reauthorization have to do with student financial assistance to provide this access. We must provide more outright grants for low income students. The new proposal, a $4,000 dollar maximum on Pell Grants and increased living expenses would make a substantial difference for many students and families throughout rural parts of our country, particularly in Nebraska.

Grant awards have not kept pace with inflation and loans have become, if not the only game in town the most available one to the majority of our students.

It is simply not fair, in my opinion, to saddle our most disadvantaged students and families with the debt that will take them a decade or more to repay once they've finished their education.

It can be worse yet to provide aid that, in effect, is wasted because it is not sufficient to cover costs and adds burdens that eventually will drive students away from higher education rather than encouraging them.

Another area of the proposed changes include offering eligibility to families with incomes up to $43,300, which will make Pell Grants available to more of our hardworking moderate income families that your Chairman spoke of just a few moments ago.

This proposal is important not only to colleges and universities in urban areas, but also those located in rural areas, such as where we are today.

The visibility of low income families may not be as great in rural communities as it is in urban areas, but the need for access to higher education is equally as great.

Now, I understand that the direct loan program may be put forward today, the direct loan program may be put forward under Title IV either as a free standing program within the Stafford loan program, or as a replacement for Stafford.

A proponent indicated that there are cost savings to be realized through this vehicle. The proposal may have merit, but I think it also requires thoughtful consideration and thorough analysis to determine whether it would provide greater efficiencies than the present system.

Most important among all these proposals is whether sufficient aid is available to those students who need it and in a manner that, in my judgement, is straightforward, understandable and workable. That is the bottom line.

Under Title V, inclusion of new language which would provide support for professional development schools is a worthy proposal. There is an important opportunity here to make major improvements in public school instruction through this very productive collaboration, particularly between public universities and the K through 12 school system. Support for this program would be highly beneficial in most cases.

In that same vein, I would like to speak to another proposal which is of concern to us. That is the elimination of Part E of Title IX, which would result in the loss of the current Council for Legal Education Opportunities for minorities.

This provides a summer experience in legal education for disadvantaged minority students. It's designed to give them a head start on law school, to improve their prospects for success.

I think this is exactly the kind of program we should be developing and enhancing, and I would hope that you would be able to retain this valuable program.

There are many other aspects of the reauthorization that are significant, to us but we cannot cover all of them in the time frame this morning.

Expended support for FIPSE, Fund for Improvement for Postsecondary Education is one of them. Expansion of the National Need Fellowships, which addresses priority needs in replacement and addition to our faculty pool, is also of tremendous importance to us in administration that are going to have to be replacing those faculty's retiring in the 1990's. It is critical to our future, as well.

The assistance of library computer networking under Title II, especially in rural locations, is important. The cooperative education program under Title VIII is another of those that should be reauthorized and refunded.

There are numerous others. But above all, bringing my comments to a close and summarizing those, adequate student financial aid, attention to minority recruitment and fairness to moderate income working taxpayers in securing financial aid are of overriding significance.

I would urge you to address those issues fully and fairly in formulating the reauthorization.

Mr. Chairman and members of the committee, I thank you again for providing to me this opportunity to appear before you this morning.

Thank you.

[Statement of Dr. M.A. Massengale follows:]

Testimony - Subcommittee on Higher Education
U. S. House of Representatives,
Committee on Education and Labor
M.A. Massengale
President
University of Nebraska

July 15, 1991

Congressman Williams, Congressman Barrett, ladies and gentlemen, I am Martin Massengale, President of the University of Nebraska, and I am pleased to have this opportunity to discuss elements of the reauthorization of the Higher Education Act of 1986.

This legislation is of great importance to the nation and to Nebraska. At a time when budgets are extremely tight, when many states have experienced mid-year budget cuts in one form or another and higher education institutions across the country are facing potential budget cuts for the coming year, this reauthorization legislation becomes even more significant.

Many institutions, like our own University, are balancing on a fine edge, between the need to maintain the quality we have so carefully worked to achieve, and at the same time the necessity to keep costs as low as possible.

Suffice to say that support for higher education needs to come in many critical areas, and some of them are addressed in this legislation.

Public higher education as conceived in the Morrill Act of 1862 had the concept of access as one of its founding platforms. It is clearly apparent that providing access is in the national interest; it has been and should continue to be a federal priority.

The most critical portions of the reauthorization have to do with student financial assistance to provide this access. We must provide more outright grants for low income students. The new proposal for a $4,000 maximum on Pell Grants and increased living expenses awards would make a substantial difference for many students and families.

Grant awards have not kept pace with inflation, and loans have become, if not the only game in town, the most available one. It is simply not fair to saddle our most disadvantaged students and families with a debt that will take them a decade or more to repay. It can be worse yet to provide aid that in effect is wasted because it is not sufficient to cover costs and adds burdens that eventually drive students away from higher education.

In another area these proposed changes include offering eligibility to families with incomes up to $43,300, which will make Pell grants available to more of our hardworking moderate income families. This proposal is important not only to colleges and universities in urban areas, but also those located in more rural areas. The visibility of lower income families may not be as great in rural communities as it is in urban areas, but their need for access to higher education is equal.

I understand that a direct loan program may be put forward under Title IV either as a free standing new program within the Stafford loan program or as a replacement for Stafford. Proponents say that there are cost savings to be realized through this vehicle. The proposal may have merit, but it also requires thoughtful consideration and thorough analysis to determine whether it will provide greater efficiencies.

Most important among all these proposals is whether sufficient aid is available to students who need it, and in a manner that is straightforward, understandable and workable.

Under Title V, the inclusion of new language which would provide support for Professional Development Schools is a worthy proposal. There is an important opportunity here to make major improvements to public school instruction through this very productive collaboration between public universities and the K-12 public school system. Support for this program would be highly beneficial.

In that same vein I would like to speak to another proposal which is of concern to us. The elimination of Part E of Title IX would result in the loss of the current CLEO program, (the Council for Legal Education Opportunities), which provides a summer experience in legal education for disadvantaged minority students. It is designed to give them a head start on law school to improve their prospects for success. This is exactly the kind of program we should be developing and enhancing, and I would urge you to keep this valuable program.

There are many other aspects of the reauthorization that are of significance to us, but that cannot be covered in this time frame. Expanded support for FIPSE, the Fund for Improvement of Postsecondary Education is one. Expansion of the National Need Fellowships, which address priority needs in replacement and addition to our faculty pools, is also of tremendous importance to us now and will be critical in the future. Assistance for library computer networking under Title II, especially in rural locations, is also important. And there are many others.

But above all, adequate student financial aid, attention to minority recruitment and fairness to moderate income working taxpayers in securing student financial aid are of overriding importance. And I would urge you to address these issues fully and fairly in formulating the reauthorization. Thank you.

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Chairman WILLIAMS. Thank you, Doctor. We'll complete this panel and then perhaps have questions for each member of the panel.

Doctor Thomas Reeves, President of Hastings. Doctor, we're delighted you're with us today.

STATEMENT OF THOMAS REEVES, PRESIDENT, HASTINGS COLLEGE

Mr. REEVES. Thank you very much.

Congressmen Williams and Barrett, members of the counsel, staff members, my name as you heard is Thomas Reeves, and I am President of Hastings College.

I am also the Chairman of the Association of Independent Colleges and Universities of Nebraska, which is a consortium of 11 independent non-profit institutions located within the State. Hastings College is the only independent college located in Nebraska's Third Congressional District, and we are extremely proud that an alumnus and trustee of Hastings College is our congressional representative.

I am testifying today about the importance of providing access and choice to students who wish to continue their formal education in the postsecondary sector. As the President of an independent college, I know of the extreme financial hardships that many students and families face in attending the college of their choice.

I am concerned that fewer middle income students will be able to attend independent colleges unless changes are made respecting eligibility and support for Federal financial aid programs.

Nebraska students are not unique among midwestern States, in that much of the family wealth in rural areas stems from ownership of farm and ranch land, which Congressman Barrett was referring to a few moments ago.

Land rich and cash poor is an accurate description of many of the families of our students. From a practical standpoint it is simply unthinkable to require parents of dependent students to liquidate their income source so that the student can afford to pay for college, yet, that is what the current Federal statutes require.

My first recommendation to the subcommittee is that you explore broadening eligibility for grants and loans to middle income students by eliminating a portion of farm equity from statutory needs-analysis formulas.

I know that you have heard testimony about the diminishing percentage of traditional age-dependent students who receive Pell Grants and other campus based assistance.

More than 60 percent of current Pell Grant dollars now go to students classified as independent. When the statutory need analysis was changed in 1986, dependent students became less likely to receive grants.

This has resulted, I believe, in an exploitation of the independent student definition by families and students when those students are, in fact, dependent.

My second recommendation is that we insert appropriate safeguards into the process so that all students are treated fairly.

We are most aware at Hastings College of the continued declining value of Pell Grants and other campus-based aid programs. We have attempted to fill in those unmet need gaps with vastly increased institutional financial aid for our students. The independent sector in Nebraska provided almost $29 million in scholarship assistance in the 1989-90 academic year, an increase of $9 million from 1985-86.

At Hastings College in 1986, institutional aide was approximately equal to the aid received from Pell and SEOG. Four years later, in 1990, we awarded four times as much institutional aid as our students received from Pell and SEOG.

And I might add that this year at Hastings, and I think it would be true at the other independent colleges, approximately 36.5 percent of all tuitions and fees have to be returned to the students in institutional aid.

Institutional aid is now our largest expenditure comprising almost 28 percent of our total spending. This has certainly had a significant impact on our ability to fund other priorities as we thought we might.

For example, our faculty salaries increased about 19 percent for the 5 year period from 1987 to 1991, compared to an average of 33 percent increase in the public sector.

We believe strongly the recommendations regarding Title IV programs transmitted by 12 higher education associations, including NAICU, the National Association of Independent Colleges and Universities, to your subcommittee on April the 8th should be adopted.

Enhancement of Pell, SEOG, college work study and Perkin Loans will assist students in choosing the right college or university for them.

I want to conclude my comments by talking about the importance in our judgement of the SSIG program to Nebraska's independent colleges and universities. It appears that SSIG is often ignored and often disparaged by experts in the political and higher education community.

I can say with some degree of certainty that if Congress had eliminated the SSIG program when it was first proposed to be eliminated by the President in 1980, we would not have a scholarship program in Nebraska now for independent college students.

We didn't get any funding until 1987 and only in the last couple of years have we had anything which would resemble an overmatching of State funds.

I am concerned that if the SSIG program is eliminated our State scholarship programs would also be in some trouble.

I believe the policy of leveraging Federal money by providing incentives to States to create their own scholarship programs to be an important policy and would hope to see the SSIG program strengthened and continued. In States with constitutional provisions, like Nebraska's, where direct institutional aid is prohibited, scholarship programs provide the only way that our students may receive any State support.

I'm speaking of our students in the independent sector.

Without SSIG, that support might not be forthcoming in the future.

I wish to conclude my remarks with the recommendations of the 12 higher education associations presented to your subcommittee on April 8, 1991 and indicate our general support for those recommendations.

I'd be happy to answer any questions that you might have.

Thank you very much.

[The prepared statement of Thomas Reeves follows:]

STATEMENT

to the

SUBCOMMITTEE ON POSTSECONDARY EDUCATION
COMMITTEE ON EDUCATION AND LABOR
UNITED STATES HOUSE OF REPRESENTATIVES

July 15, 1991

by

Thomas Reeves, President
Hastings College

On behalf of:

The Association of Independent Colleges and Universities
Of Nebraska

Congressman Barrett and Williams, staff members, my name is Dr. Thomas Reeves and I am president of Hastings College. I am also the Chairman of the Association of Independent Colleges and Universities of Nebraska, a consortium of eleven independent, non-profit institutions located within the state. Hastings College is the only independent college located in Nebraska's Third Congressional District, and we are extremely proud that an alumnus and Trustee of Hastings College is our Congressional Representative.

I am testifying today about the importance of providing access and choice to students who wish to continue their formal education in the postsecondary sector. As the president of an independent college, I know of the extreme financial hardships that many students and families face in attending the college of their choice. I am concerned that fewer middle income students will be able to attend independent colleges unless changes are made respecting eligibility and support for federal financial aid programs.

Nebraska students are not unique among midwestern states in that much of the family wealth in rural areas stems from ownership of farm and ranch land. Land rich and cash poor is an accurate description of many of the families of our students. From a practical standpoint, it is simply unthinkable to require parents of dependent students to liquidate their income source so that a student can afford to pay for college, yet that is what the current federal statutes require. My first recommendation to the subcommittee is that you explore broadening eligibility for grants and loans to middle income students by eliminating a portion of farm equity from statutory need-analysis formulas.

I know you have heard testimony about the diminishing percentage of traditional college-age dependent students who receive Pell Grants and other campus-based assistance. More than

sixty percent of current Pell Grant dollars now go to students classified as independent. When the statutory need analysis was changed in 1986, dependant students became less likely to receive grants. This has resulted, I believe, in an exploitation of the independent student definition by families and students when those students are, in fact, dependent. My second recommendation is that we insert appropriate safeguards into the process so that all students are treated fairly.

We are most aware at Hastings College of the continued declining value of Pell Grants and other campus-based aid programs. We have attempted to fill in those unmet need gaps with vastly increased institutional financial aid for our students. The independent sector in Nebraska provided almost 29 million dollars in scholarship assistance in the 1989-90 academic year, an increase of 9 million from 1985-86. At Hastings College in 1986, institutional aid was approximately equal to aid students received from Pell and SEOG. In 1990, we awarded four times as much institutional aid as our students received from Pell and SEOG. Institutional aid is now our largest expenditure, comprising almost 28 percent of our total spending. This has certainly had a significant impact on our ability to fund other priorities of the college. For example, our faculty salaries increased about 19 percent for the five year period from 1987 to 1991, compared with an average 33 percent increase in the public sector.

We believe the recommendations regarding Title IV programs transmitted by twelve higher education associations, including NAICU, to your subcommittee on April 8 should be adopted. Enhancement of Pell, SEOG, college work study and Perkins Loans will assist students in choosing the right college or university for them.

I want to conclude my comments by talking about the importance of the SSIG program to Nebraska's independent colleges and universities. It appears that SSIG is often ignored and often

disparaged by "experts" in the political and higher education community. I can say with some certainty that if Congress had eliminated the SSIG program when it was first proposed to be eliminated by the President in 1980, we would not have a scholarship program in Nebraska. We didn't get any funding until 1987, and only in the last couple of years have we had anything which would resemble an overmatching of state funds.

I am concerned that if the SSIG program is eliminated, our state scholarship programs would also be in trouble. I believe the policy of leveraging federal money by providing incentives to states to create their own scholarship programs to be an important policy, and would hope to see the SSIG program strengthened and continued. In states with constitutional provisions like Nebraska's where direct institutional aid is prohibited, scholarship programs provide the only way that our students may receive any state support. Without SSIG, that support might not be forthcoming in the future.

I wish to supplement my remarks with the recommendations of the twelve higher education associations presented to your subcommittee on April 8, 1991, and indicate our general support for those recommendations. I would be happy to answer any questions you may have.

Attachment 1 - Reeves testimony

HIGHLIGHTS OF HEA REAUTHORIZATION RECOMMENDATIONS
Transmitted to House Postsecondary Subcommittee
by 12 Higher Education Associations, April 8, 1991 (Rev)

Title I (Programs for Nontraditional Students):

A revised and simplified Title would combine unfunded authorities of Titles I *(Continuing Education)* and XI *(Urban Grants)* in a new program for University Outreach, Community Service and Continuing Education.

Part A, Urban Community Service, *(current XI-B revised, together with the current V-B authority for School, College and Community Partnerships)* would authorize grants to urban institutions, including two-year and four-year institutions, to bring their knowledge to bear on the problems of urban areas.

Part B, Partnerships for Continuing Higher Education, would authorize grants to support programs to serve the continuing education needs of adult learners *(simplifying the current authority in I-A, repealing I-B, I-C and I-D (national programs, advisory council, student literacy corps).*

Title II (Academic Libraries and Information Technology):

The Title would be changed to "Academic Libraries in an Electronic Networked Environment." The currently unfunded II-A *(Grants for College Library Resources)* would be revised and combined with II-D *(College Library Technology and Cooperation Grants)* to establish a reinvigorated program of technological and cooperative assistance with a priority for needy institutions not yet linked to library resource sharing networks.

II-B *(Library Education, Training, Research and Development)* would be modified to place emphasis on the training of minority librarians.

II-C *(Strengthening Research Library Resources)* would be modified to emphasize projects related to the Internet/NREN and to encourage interinstitutional cooperation in collection development.

Title III (Institutional Aid):

The five-year wait-out period would be eliminated for institutions which successfully complete a Part A grant.

Greater flexibility in the use Part B funds would be accomplished by permitting activities which are not specifically authorized but contribute to the overall purposes of the program. The Part B minimum grant would be changed from $350,000 to $500,000 to help equalize funding for smaller institutions.

Five HBCU's would be added to the list of institutions eligible for grants under Section 326, the graduate section of Part B, and the Secretary would be authorized to add other institutions as appropriate.

A separate $20 million authorization for historically black colleges and universities would be established in Part C Challenge Grants, and the general Part C authorization would be increased to $75 million. Challenge grants would be capped relative to the size of the appropriation.

Institutions receiving Part A or B grants would be permitted to participate in multiple cooperative agreements; grants could be awarded directly to formal consortia.

Title IV (Student Assistance):

Pell Grants. A $4,500 Pell Grant maximum would be established and adjusted annually thereafter based on the Consumer Price Index. Such a substantial increase is necessary to repair the erosion of the award over the past decade, and assure that its value is maintained.

The formula for determining individual Pell awards would be changed to make the maximum award equal $2750 for living expenses, plus 25 percent of tuition *(not to exceed $1750)*, minus Expected Family Contribution *(EFC)*. Future adjustments in the maximum above $4500 would be split dollar for dollar between the living cost and tuition components of the formula.

The proposed formula would significantly increase awards for all low-income Pell recipients, including a more realistic living allowance *(about half the average cost of room, board, and books)*, while at the same time increasing the tuition-sensitivity of the award in recognition of the needs of students who pay higher direct educational expenses. Eligibility would be expanded to families with incomes up to $44,000 *(somewhat below the 1979 eligibility level of $25,000, adjusted for inflation)* to increase the participation of working-class families and students attending baccalaureate degree-granting institutions. It would also simplify the current complex formula which requires three computations to determine each award. Awards would be prorated for students attending programs of less than an academic year.

The Education Department would be required to borrow from the following year whenever appropriated funds are insufficient. Removing the Department's authority to reduce awards when its estimates indicate that funds are insufficient would mark an important step to establish greater certainty in the program, so that students can make their educational plans based on assurance of the amount of aid they will receive.

Campus-Based Programs. SEOG, CWS, and Perkins Loans would be continued and expanded with the following modifications:

An incentive for persistence and retention in higher education would be established by allocating additional funds based on the calculated need of eligible aid applicants who have completed the freshman year. Such an incentive is needed to address the serious problem of low retention and completion rates in postsecondary education. Institutions would continue to award campus-based funds to all classes of students as they do now, but those doing a better job of retaining students and encouraging them to complete their programs would receive a larger allocation of any funding.

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Authority to transfer funds among campus-based programs would be expanded by permitting institutions to transfer up to 25 percent of SEOG, CWS, and Perkins funds among the programs. Currently only 10 percent of SEOG and CWS funds are permitted to be transferred. In exchange for such added flexibility to use campus-based aid, the institutional matching requirements would be increased in the aggregate by setting a uniform 25 percent rate for all three programs *(currently the match is 10 percent for Perkins, 15 percent for SEOG, and 30 percent for CWS).*

State Student Incentive Grants. The SSIG program would be continued and its authorization expanded. An important new authority is also proposed, to provide federal matching to encourage states to establish or expand early intervention programs for at-risk secondary students.

Several states have established pioneering early intervention programs, based on a commitment to provide low-income students from sixth grade through high school with mentoring, counseling, and special remedial services they need for academic success, including career planning, early assessment of eligibility for federal aid, and the assurance of state assistance to attend college if they graduate from high school. Such a new initiative under the SSIG program would forge a critical link in the expansion of educational opportunities: the failure to obtain or complete postsecondary education is often attributable to the fact that junior and senior high school students and their parents are unaware of academic prerequisites for college attendance, have inadequate information about the availability of federal assistance, and lack encouragement to plan for college.

In a related recommendation, an amendment to the Title IV General Provisions is proposed to authorize funding for a national information campaign to publicize the availability of federal student aid, the importance of postsecondary education in long-term career planning, and the need to complete a high school program which meets college requirements.

TRIO programs. The authorization would be increased to enable these programs to reach a larger percentage of at-risk students. Despite their proven success, they serve less than ten percent of students eligible for TRIO services. Talent Search would be extended into the sixth grade, coordination with other stage and private programs of remediation and support would be enhanced, and steps would be authorized to strengthen programmatic and administrative accountability for the programs.

Loan Programs. Several recommendations are made to expand loan availability, to meet cash flow need of students and parents, to extend flexible repayment options to student borrowers most at risk, and to effect significant savings in the federal cost of the loan programs.

A new direct lending program would be created using federal capital under the mandatory spending cap for institutions with a proven record of financial management. This would make use of the new credit reform accounting rules to provide more loan capital at less cost to the federal government, which in turn would

help finance a needed expansion of loan limits. No institution would be required to participate; eligible institutions would act as agents of the federal government to originate loans on terms and conditions comparable to Stafford Loans. Loan servicing could be contracted; loans would be owned by the federal government and no guarantee or special allowance would be necessary. Institutions would be compensated for costs such as loan origination.

More flexible repayment options would be established for borrowers with a high ratio of debt to income after leaving school, including a requirement that lenders provide a graduated repayment schedule for all borrowers who request it.

Recognizing the erosion in the value of loans due to inflation over the past decade, loan limits would be raised, restricting limits for freshmen and permitting larger increases for sophomores, juniors and seniors. Limits for Perkins and Stafford loans would be set at: $3500 for freshmen, $5000 for sophomores, juniors and seniors, $10,000 for graduate and professional students, with aggregate limits of $23,000 for undergraduates and $73,500 for undergraduate and graduate. SLS limits would be $4000 for freshmen, $6000 for sophomores, juniors and seniors, $10,000 for graduate students, and $78,000 aggregate. PLUS limits would be removed entirely.

Stafford interest rates would be made variable after the fourth year of repayment *(e.g., T-bills plus 3.25 percent adjusted annually, with a limit of 12 percent)*. This would continue the incentive for lender participation and provide cost sharing between the borrower and the government in the latter years of repayment to minimize federal costs attributable to loan subsidies.

Regulatory Reform. To reduce the regulatory burden and assure that the community is consulted in advance on a regular basis as part of the process of developing regulations, several steps are recommended:

The Secretary would be required to establish, in consultation with the community, performance-based standards for the administration of Title IV programs by different types of institutions, including criteria for waiving regulatory requirements for institutions which meet appropriate alternative standards.

The Secretary would be authorized to make demonstration grants to institutions to encourage innovative approaches that improve the administration and reduce the regulatory burden of federal programs.

The Department would be required to engage in negotiated rulemaking *(see Title XII)*.

Strengthening Program Management. To address the problems of rising default costs and mismanagement of the student aid programs which have undermined the credibility, recommendations are made to strengthen the integrity of the programs:

The Department would be required to develop objective performance standards in consultation with the higher education community, including reliable criteria for

identifying institutions experiencing problems in administering the student aid programs.

The Secretary would be given explicit authority to set standards for recognition of accrediting agencies for purposes of federal student aid eligibility.

The Secretary would be authorized to establish, in cooperation with the states and the State Higher Education Executive Officers, standards for licensure of postsecondary institutions, including appropriate oversight and investigation of complaints.

To assure that the Education Department maintains adequate staffing support for the student aid programs, amendment of the Title IV General Provisions is recommended to establish a line item in the Department's Salaries and Expenses budget for administration of the student aid programs.

Repeals. Two programs are recommended for repeal: the authorization for "Assistance to Institutions of Higher Education" which was included in the Act in 1972 and has never been funded, and the Income Contingent Direct Loan Demonstration Project, added in 1986. In view of the overriding priority for funding of student assistance, it is not realistic to retain in the statute the complex formula for cost-of-education payments based on the number of federally-aided students and the type of institution. The Income Contingent loan program would be replaced by proposed authority for more flexible repayment provisions for all federal loans.

Title V (Teacher Recruitment, Retention and Development)

The current program would be revised and simplified into three interrelated parts:

Part A, Recruitment of Underrepresented Populations into Teaching, would provide an expansion of Douglas scholarships through the addition of a Teacher Corps program to recruit minorities into teaching. The mid-career training program would be revised to give priority to mid-career minorities.

Part B, Hawkins Partnership Schools for Professional Practice and Research, would establish a new program of partnerships between colleges and schools to promote the restructuring of elementary/secondary education and collegiate-based teacher preparation. The goal would be to establish one partnership school in each congressional district.

Part C, Teacher and Faculty Professional Development, would modify the Christa McAuliffe Fellowship program to permit Fellows to work in Partnership Schools. National Professional Development Academies would be authorized to provide professional growth activities for K-12 teachers, administrators, and higher education faculty engaged teacher training.

Title VI (International Education):

The authorized activities of the national resource centers would be amended to include outreach activities with a broad spectrum of professional schools, and to emphasize that the centers be national in scope and limited in number.

The unfunded second-tier FLAS program would be replaced with one less administratively complex.

The undergraduate programs would be revised to provide seed funding for the creation of new programs, and to stabilize programs of recognized excellence.

A new subsection would be added to the summer language institutes program to authorize institutes for foreign area studies.

The research section would be modified to reflect emerging challenges and to include activities viewed as critical to the further development of language and area studies and other international fields.

The periodicals program would be amended to permit the collection of timely research materials that may exist only in manuscript form.

The equitable distribution of funds section would be modified to encourage enhanced funding of undergraduate programs.

Linkages with overseas institutions would be authorized for the national resource centers, undergraduate, and business programs.

The authority for educational and cultural exchanges under Section 102(b)(6) of Fulbright-Hays would be transferred to the Education Department, which administers the program. Eligibility would be extended to persons whose careers will have an international dimension.

Title VII (Academic Facilities):

Priorities would be amended to permit funding of projects whose primary purpose is not necessarily one of the priorities; the priority for library and research facilities would emphasize projects that utilize new technologies and promote preservation of library materials, and the priority for renovation would be modified so that it is not mandatory.

The authorization for Part A *(Grants for Undergraduate Facilities)* and Part B *(Grants for Graduate Facilities)* would be increased, and the elaborate Part A system of establishing state plans and allotting funds among the states would be replaced with the simpler Part B mechanism for peer review.

Parts C *(Loans for Academic Facilities)* and F *(Loans for Housing and Other Facilities)* would be combined into a single program to support both undergraduate and graduate academic facilities, housing, and related support facilities.

Title IX (Graduate Programs):

Two purposes are stated: to enhance the quality and diversity of college and university faculty, and to expand graduate opportunities for underrepresented groups.

The Department's graduate and professional programs would be consolidated administratively to ensure that they are carried out consistently with academic practices. The Department also would be granted "excepted hire" authority to strengthen staffing by recruiting campus administrators experienced in graduate program administration.

The summer research internships (Part A, Grants to Institutions to Encourage Minority Participation in Graduate Education) would be expanded to include women; the financial need restrictions governing internship stipends would be removed; the Department would be directed to disseminate information on participants in the program so that institutions can better recruit persons from groups underrepresented in graduate eduction.

Patricia Roberts Harris Fellowships (Part B) would be expanded to:

(1) Broaden the Public Service Fellowships to provide two-year grants for a greater range of masters or professional programs for women and minorities leading to careers in which they are underrepresented.

(2) Create a doctoral traineeship program leading to faculty careers for women and minorities. Support would be provided for an initial two years and a third year of dissertation support, with a university matching requirement to give trainees two years of support, at least one of which would be a university-funded, supervised teaching experience.

The cap of 450 fellowships on Part C (Jacob C. Javits Fellows) would be raised to 600.

The Part D National Need traineeship program would be focused on areas of projected faculty shortage instead of specific fields. A matching requirement for a university-funded year of supervised teaching would be added.

The $10,000 cap on stipends would be removed; fellowships would be set at a level of support comparable to NSF Graduate Fellowships. The financial need requirement would be removed to bring the Department's policy into accord with that of all other federal agencies supporting graduate students. The institutional allowance would be raised to $10,000, and adjusted thereafter with the Consumer Price Index.

8

Title XI (Urban Community Service):

The current authority would be repealed. *(Part A Partnerships for Economic Development can be funded under Part B, Urban Community Service authority which is proposed for inclusion in Title I together with revised Part C general provisions to clarify eligibility of all urban institutions of higher education.)*

Title XII (General Provisions):

A requirement would be added to the General Provisions that negotiated rulemaking be used in the development of regulations for HEA programs whenever it is in the public interest.

Chairman WILLIAMS. Thank you.

Ms. Kay Seline is the Assistant Vice-President at Creighton. Please proceed.

STATEMENT OF KATHLEEN D. SELINE, ASSISTANT VICE PRESIDENT, CREIGHTON UNIVERSITY, OMAHA, NEBRASKA

Ms. SELINE. Thank you, Mr. Chairman, and Congressman Barrett, and members of the staff. It is my pleasure to bring a message to you today from the largest of the private, postsecondary institutions in this State, Creighton University.

We are, first of all, very pleased the Subcommittee on Postsecondary Education is seeking input on reauthorization of the Higher Education Act from the midwestern States, and most particularly from Nebraska. We are proud and pleased to have you here.

It is certainly a manifestation of your understanding of the importance of your deliberations on reauthorization and the advantages of seeking input from all constituencies across the country. Your task will not be an easy one but we trust that information we provide to you today will help in those deliberations, and also that we may, in some small way at least, broaden your understanding of the ramifications of this legislation.

To give you an idea of the university which I represent, Creighton has over 6,000 students enrolled in three colleges, five professional schools and a graduate school. Our faculty numbers about 700 and we employ more than 2,000 people.

Because of the diversity of programs offered on one campus, we are uniquely positioned to view the financial aid/student loan situation from a vantage point characterized by complex student needs.

Since a number of our undergraduate students do go on to complete M.D., D.D.S., and Pharmacy degrees at Creighton; and to give you an idea of that, the medical school freshmen, on an average, about 30 or 40 percent of that group are Creighton undergraduates, 23 percent of the dental freshmen come from our undergraduate school, about 20 percent, or 47 percent of our pharmacy freshmen. We have, therefore, a high concern about the indebtedness which we have mentioned, which the Chairman has mentioned.

This indebtedness is incurred by those students at the undergraduate level. High debt can only act as a disincentive to the graduate's professional education if it is not alleviated in some way.

Professional students may find it impossible to continue their educational programs or upon graduation find it less desirable or even impossible to practice in rural communities. Since we're all working towards the provision of health professionals for rural America, the question of indebtedness becomes of primary concern to us.

A profile of our students at Creighton indicates a high percentage of midwestern, rural backgrounds, with about 47 percent of our undergraduates students coming from Nebraska, 10 percent from Iowa, and other States with the largest percentage of enrollees are Illinois, California, Colorado, Minnesota and Missouri.

With this in mind, it is not difficult to estimate that many of our graduates then return to the rural midwestern area. The education

programs offered by Creighton over the years have been directed toward this type of student.

I'd like to give you some examples of those efforts in which we have been reaching out in to the State and into rural Nebraska.

First of all, our School of Nursing addresses nursing needs with it's Hastings program, in cooperation with Hastings College, and Mary Lanning Hospital. We also send nursing courses via Nebraska Educational Television Systems to South Central and Northeast Nebraska and Iowa.

Our Occupational Therapy Program is the only one offered in the State.

Our School of Pharmacy and Allied Health is presently negotiating an arrangement for a combined program at Chadron State. We are very pleased with this involvement in educational programs in the State.

In light of our expressed interest and concern about the indebtedness of our students on a continuum from undergraduate through professional school, we would call your specific attention to several of the loan programs which you will be considering as you deal with reauthorization.

These programs are for undergraduate as well as graduate/professional students, with specific maximum amounts and varying interest rates. We urge your approval of a reasonable increase in the loan limit of the Stafford Loan Program, the Perkins Loan and Supplemental Loans for Students, (SLS).

I think probably most importantly, we urge that serious consideration be given to an increase in the maximum award permitted under the Pell Program, thereby alleviating the loan indebtedness of the undergraduate student. The importance of the availability of loans for students who choose Creighton University, and any other private educational institution, cannot be stressed too much. And I think you're aware of the reasons, certainly, we've given that information to you.

The contribution which the private sector makes to the education of our citizens is certainly not in question here, only the need to maintain student financial support which assures that opportunity of choice.

Thank you very much for your attention and for permitting this testimony today.

[The prepared statement of Kathleen D. Seline follows:]

TESTIMONY

before the

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

UNITED STATES HOUSE OF REPRESENTATIVES

July 15, 1991

Kearney, Nebraska

by

KATHLEEN D. SELINE

ASSISTANT VICE PRESIDENT

CREIGHTON UNIVERSITY

OMAHA, NEBRASKA

Subject: Reauthorization of the Higher Education Act of 1965

Mr. Chairman and Members of the Subcommittee - it is my pleasure to bring a message to you today from the largest of the private, postsecondary institutions in this state - Creighton University. We are, first of all, very pleased the Subcommittee on Postsecondary Education is seeking input on Reauthorization of the Higher Education Act from the Midwestern states, and most particularly from Nebraska - we are proud and pleased to have you here. It is certainly a manifestation of your understanding of the importance of your deliberations on Reauthorization, and the advantages of seeking input from all constituencies across the country. Your task will not be an easy one but we trust that the information we provide for you today will help in those deliberations, and also that we may, in some small way at least, broaden your understanding of the ramifications of this legislation.

Creighton University has over 6,000 students enrolled in three colleges, five professional schools and a graduate school. Our faculty numbers about 700 and we employ more than 2,000 people. Because of the diversity of programs offered on one campus, we are uniquely positioned to view the financial aid/student loan situation from a vantage point characterized by complex student needs.

Since a number of our undergraduate students do go on to complete the M.D., D.D.S. and Pharmacy degrees at Creighton (of the Medical School freshmen 30-40% on average are Creighton undergraduates, 23% of the Dental, and 47% of the Pharmacy freshmen) we have a high concern about the indebtedness incurred by these students at the undergraduate level. High debt can only act as a disincentive to the pursuit of graduate/professional education.

Also professional students may find it impossible to continue their educational programs, or, upon graduation, find it less desirable or even impossible to practice in rural communities. Since we are all working toward the provision of health professionals for rural America, this question of indebtedness becomes of primary concern.

A profile of our students at Creighton indicates a high percentage of midwestern, rural backgrounds, with about 47% of our undergraduate students coming from Nebraska and 10% from Iowa; the other states with the largest percentage of enrollees are: Illinois, California, Colorado, Minnesota and Missouri. With this in mind, it is not difficult to estimate that many of our graduates then return to the rural midwestern areas. The educational programs offered by Creighton over the years have been directed toward this type of student. Some examples of these efforts are programs which reach out to rural Nebraska:

1. The School of Nursing addresses nursing needs with its Hastings program in cooperation with Hastings College and the Mary Lanning Hospital. We also send nursing courses via the Nebraska Educational Television System to South Central and Northeast Nebraska and Iowa.

2. Our Occupational Therapy Program is the only one offered in the State.

3. Our School of Pharmacy and Allied Health is presently negotiating an arrangement for a combined program at Chadron State.

In light of our expressed interest and concern about the indebtedness of our students on a continuum from undergraduate through professional school, we would call your specific attention to several of the loan programs which you will be considering as you deal with Reauthorization. These programs are for undergraduate as well as graduate/professional students, with specific maximum amounts and varying interest rates. We urge your approval of a reasonable increase in the loan limit of the Stafford Loan Program, the Perkins Loan and Supplemental Loans for Students (SLS). Also, we urge that serious consideration be given to an increase in the maximum award permitted under the Pell Program thereby alleviating the loan indebtedness of the undergraduate student.

The importance of the availability of loans for students who choose Creighton University, or any other private educational institution, cannot be stressed too much. The contributions which the private sector make to the education of our citizens is not in question here, only the need to maintain student financial support which assures that opportunity of choice.

Thank you for your attention and for permitting this testimony today.

Chairman WILLIAMS. Thank you.

Ms. Kay Schallenkamp, who is Vice-President Provost at Chadron State College. We're pleased you're with us today.

STATEMENT OF KAY SCHALLENKAMP, PH.D., PROVOST, CHADRON STATE COLLEGE

Ms. SCHALLENKAMP. Thank you for the opportunity to appear before the hearing.

I am Kay Schallenkamp, Provost of Chadron State College.

Chadron State College, a regional comprehensive institution located in rural western Nebraska, has benefited from Federal assistance. While opponents of Federal support for education are anxious to note abuses, the intent of this testimony is to document the profound impact which one Federal program has had on higher education and to encourage the House Subcommittee on Postsecondary Education to continue funding of the Title III, Strengthening Institutions Program.

Chadron State College is located in the panhandle of northwestern Nebraska. The educational service area is geographically vast and sparsely populated. The service area encompasses over 14,000 square miles. This area is equivalent to the combined square mile area of Connecticut, Rhode Island, Delaware and four-fifths of New Jersey.

There are 88 institutions of higher education in those four States. In northwestern Nebraska there are two, Chadron State College and Western Nebraska Community College.

The distance between Chadron and Sidney, which is located in the southern portion of the service area, is equivalent to the distance between Washington, DC and New York City.

As the only 4 year institution in western Nebraska, Chadron State College has been charged by the Nebraska State College Board of Trustees and the Nebraska Legislature to provide educational opportunities throughout the service region.

During the past 5 years the demand for courses delivered to off campus sites has increased significantly. The needs have been exacerbated by the worker displacement and by the necessity for college level preparation for job advancement.

Off campus students are characterized as older, placebound, and undereducated. A study conducted in 1988 by Clarus Corporation indicated that the per capita income for residents in the Panhandle was 16 percent below the national average. The study also noted that the number of individuals enrolling in college courses had increased by 48 percent during the previous 8 year period. Many students were identified as displaced workers and seeking educational preparation which would allow them to remain or return to the work force.

These students would be denied educational opportunities if courses were not available in geographically accessible locations. Consequently, Chadron State College responded to the needs of the region by delivering courses throughout a 200 mile radius of the campus.

The extensive travel costs and the physical strain on faculty mandated that the institution identify alternative modes of delivery to meet the needs of placebound, nontraditional students.

In 1990 Chadron State College successfully competed for a Title III Strengthening Institutions Grant. One component of the grant has allowed the college to develop distance learning telecommunication capabilities. The first classes were delivered during the spring 1991 semester with extremely favorable student and faculty ratings.

The project will have a profound impact on the ability of placebound students to access educational opportunities. It is unlikely that Chadron State College would have been able to develop the telecommunications capabilities in the panhandle without Federal assistance.

Communication with peer institutions which have received Title III funding has confirmed the important role that this program has had on small regional institutions. In many respects, these institutions have been the forgotten partner. We are too small for research or model projects, we have limited political influence, and we have minimal glamour or special interest attraction.

However, like most forgotten partners, we are the workhorse of higher education. We provide opportunities for students who are academically underprepared, financially needy, and often socially naive.

Title III is the only Federal program which targets institutions serving disadvantaged students. Therefore, it has been a vehicle for many regional and 4 year institutions to obtain funding for projects which would not have been affordable through State Funding channels.

It is therefore especially recommended that, 1) all funding for Title III Strengthening Institutions be increased; 2) that funding priorities consider the needs of the institution regardless of whether we're a 2 year, historically black college or university, or a 4 year institution.

We all have significant needs. Providing favorable opportunities for institutions with special missions provides yet another hurdle for the regional 4 year institution; and 3) that the 5 year wait out period for institutions which have received funding be eliminated.

Institutions should be allowed to compete on the merits of funding needs. It is apathetical to have a guideline which eliminates programs not because they've reflected them unacceptable, but because they've previously demonstrated that they do qualify.

I thank you for this opportunity to address you this morning. I envy you your position. You have the ability to develop the methods which make dreams come true for disadvantaged Americans who aspire to higher education.

Thank you.

[The prepared statement of Kay Schallenkamp, Ph.D. follows:]

Testimony
Submitted to
House Subcommittee
on Postsecondary Education

by
Kay Schallenkamp, Ph.D.
Provost, Chadron State College
July 15, 1991

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As the only four-year institution in western Nebraska, Chadron State College has been charged by the Nebraska State College Board of Trustees and the Nebraska Legislature to provide educational opportunities throughout the service region. During the past five years the demand for courses delivered to off campus sites has increased significantly. The needs have been exacerbated by worker displacement and by the necessity for college level preparation for job advancement. Off campus students are characterized as older, placebound, and undereducated. A study conducted in 1988 by

Clarus Corporation indicated that the per capita income for residents in the panhandle was 16% below the national average. The study also noted that the number of individuals enrolling in college courses had increased by 48% during the previous eight-year period. Many students were identified as worker displaced and seeking educational preparation which would allow them to remain or return to the workforce. These students would be denied educational opportunities if courses were not available in geographically accessible locations. Consequently, Chadron State College responded to the needs of the region by delivering courses throughout a 200 mile radius of the campus. The extensive travel costs and the physical strain on faculty mandated that the institution identify alternative modes of delivery to meet the needs of placebound, nontraditional students.

In 1990 Chadron State College successfully competed for a Title III Strengthening Institutions Grant. One component of the grant has allowed the College to develop distance learning telecommunication capabilities. The first classes were delivered during the spring, 1991 semester with extremely favorable student and faculty ratings. Students stated that the quality of instruction was comparable with courses which they had taken previously with face to face instruction. Faculty noted that the opportunities for student/teacher interaction had been enhanced and that the performance of students at the off campus site was consistent with that of on campus students. Faculty enthusiastically embraced the

opportunity to use the two-way audio/video system in lieu of receiving "Siberiatic" teaching assignments.

Funding from the Title III program has enabled Chadron State College to develop distance learning classrooms. The project will have a profound impact on the ability of placebound students to access educational opportunities. It is unlikely that Chadron State College would have been able to develop the telecommunication capabilities without federal assistance.

Communication with peer institutions which have received Title III funding has confirmed the important role that this program has had on small regional institutions. In many respects these institutions have been the forgotten partner for funding. We are too small for research or model projects. We have limited political influence. We have minimal glamour or special interest attraction. However, like most forgotten partners we are the workhorse of higher education. We provide opportunities for students who are academically underprepared, financially needy and often socially naive. Title III is the only federal program which targets institutions serving disadvantaged students. Therefore, it has been the vehicle for many regional four-year institutions to obtain funding for projects which would not have been affordable through state funding channels.

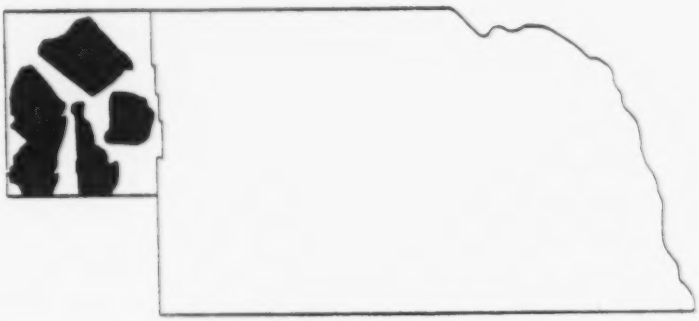
It is respectfully recommended that

1. funding for Title III Strengthening Institutions be increased

2. funding priorities consider the needs of the institution regardless of whether it is a two-year community college, an Historically Black College or University, or a four-year institution. We all have significant needs. Providing favorable opportunities for institutions with special missions provides another hurdle for the regional four-year institution
3. the five year wait out period for institutions which have received funding be eliminated. Institutions should be allowed to compete on the merits of funding needs. It is antithetical to have a guideline which eliminates programs not because their request is unacceptable but because they previously demonstrated that they do qualify.

Thank you for this opportunity to address you this morning. I envy your position. You have the ability to develop the mechanism to make dreams come true for disadvantaged Americans who aspire to postsecondary education.

PANHANDLE SERVICE AREA FOR CHADRON STATE COLLEGE



LAND AREA SQUARE MILE COMPARISONS

Panhandle (11 counties)	- 14,095 miles
Del., Conn., R.I. and 4/5 N.J.	- 13,910 miles

Chairman WILLIAMS. Thank you.

Doctor Barbara Snyder is the Vice Chancellor of Student Affairs at the University of Nebraska, at Kearney. It's nice to have you with us.

STATEMENT OF BARBARA SNYDER, VICE CHANCELLOR FOR STUDENT AFFAIRS, UNIVERSITY OF NEBRASKA AT KEARNEY

Ms. SNYDER. Thank you. Gentlemen, thank you for this opportunity to comment on the upcoming reauthorization of the Higher Education Act. The reauthorization process allows the Congress a unique opportunity to restructure and redefine the programs that will help lead American education in to the 21st century. I'm especially pleased that the committee has chosen to hear the needs of schools and students from the rural areas of the country like this region of Nebraska.

As we talk about reauthorization, I feel that it is imperative that we focus on what the Higher Education Act is all about: students. Students at the University of Nebraska at Kearney come from a wide variety of backgrounds but are predominantly first generation college students from rural Nebraska. Annually, over 50 percent of UNK's students receive some sort of financial assistance and nearly 40 percent receive federally funded aid. Unquestionably, many of these students would not be pursuing higher education without the availability of this financial aid.

The Title IV programs have helped thousands of needy UNK students achieve their educational goals. Many would never have even attempted higher education without the availability of this assistance.

As the cost of education increases, however, so does the need of our students. A 1989 study shows that the annual family income required to finance college costs at a public university was over $50,000 in 1987-88, and it certainly has continued to rise since then.

The term "needy family" only sounds misplaced when applied to a family with over $40,000 in annual income. How many families in rural areas of the country have the income necessary to finance an education without assistance? As more and more students become "needy," the limited resources available are stretched farther and farther.

This is particularly true at growing institutions such as UNK. Please allow me to illustrate some comparisons.

In 1981-82 tuition was $23 per credit hour, room and board was $769 per semester and enrollment was 7,173. In 1991-92 tuition is $45 per credit hour, room and board is $1,135 per semester and our enrollment will be over 10,000.

By 1981-82 College Work Study Allocation was $295,000. In our 1991-92 allocation it was $297,000, a 29 percent decrease per student.

Supplemental Educational Opportunity Grant funding was $86,000 in 1981-82 and increased to $108,000 in 1991-92, or in other words, about $20 more per student if divided equally between all new financial aid recipients. Allocation formulas that do not reflect actual circumstances, regulations that guarantee certain levels of

funding and budget limitations thus combine to penalize needy students who choose to attend UNK and similar institutions.

The increasing utilization of educational resources by non-traditional students, who currently constitute 41 percent of UNK's enrollment, has only served to stretch limited resources even further.

They should not be forced to compete for funding with traditional students. The programs need to be funded at levels that can meet the needs of both groups and it needs to be done without increasing the already sizable loan/grant imbalance. The Pell Program needs to be fully funded and made a true entitlement program.

In addition, exceedingly complex regulations, many designed to help lower the well-publicized Stafford default rate, make administration of the programs more and more difficult, costly and extremely confusing to students. And UNK's default rate is only 4.3 percent.

More emphasis needs to be placed on initiatives like the Quality Control Pilot Project, which allows schools who prove their ability to effectively manage the programs, to do so under a less restrictive environment than schools that have difficulty managing these programs.

Schools who manage well can be certified by the Department of Education in a manner much like the current academic accreditation process and recertified only every several years. Those who have difficulty managing the programs can then get more training and compliance verification on a regular basis.

The current economic difficulties in many States are forcing tuition hikes at colleges and universities, as you know. A recent report indicates that 29 States have cut their higher education budgets at mid-year and 45 plan to raise in-State tuition. Increases such as UNK's 11 percent are not uncommon and they go as high as 59 percent at some New york Universities. Add to that the fact that Federal aid to education, adjusted for inflation, has decreased 24.3 percent over the last 10 years and you begin to see where the problems originate. State governments are by their very nature political and parochial. We cannot look to the States to remedy what are national needs in the education arena. Congress must see education as the priority it truly is for most Americans and fund it accordingly.

With your continued assistance American education can move in to the 21st century as the premier educational system and continue to assist students in their pursuit of the American dream.

We are pledged to work with you to assure that the financial funding is available to encourage students to succeed.

Thank you very much. Thank you for giving me this opportunity.

[The prepared statement of Barbara Snyder follows:]

Barbara Snyder
Vice Chancellor for Student Affairs
University of Nebraska at Kearney

Testimony to the U.S. House
of Representatives Sub-committee
on Postsecondary Education
Kearney, Nebraska
July 15, 1991

Gentlemen, thank you for this opportunity to comment on the upcoming reauthorization of the Higher Education Act. The reauthorization process allows the Congress a unique opportunity to restructure and redefine the programs that will help lead American education into the 21st century. I'm especially pleased that the committee has chosen to hear the needs of schools and students from the rural areas of the country like this region of Nebraska.

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federally funded aid. Unquestionably, many of these students would not be pursuing higher education without the availability of this financial aid.

The Title IV programs have have helped thousands of needy UNK students achieve their educational goals. Many would never have even attempted higher education without the availability of this assistance. As the cost of education increases, however, so does the need of our students. A 1989 study shows that the annual family income required to finance college costs at a public university was over $50,000 in 1987-88, and it certainly has continued to rise since then. The term "needy family" only sounds misplaced when applied to a family with over $40,000 in annual income. How many families in the rural areas of the country have the income necessary to finance an education without assistance? As more and more students become "needy", the limited resources available are stretched farther and farther.

This is particularly true at growing institutions such as UNK. Please allow me to illustrate some comparisons. In 1981-82 tuition was $23 per hour, room and board was $769 per semester and enrollment was 7173. In 1991-92 tuition is $45 per hour, room and board is $1135 per semester and enrollment will be over 10,000. Our 1981-82 College Work Study Allocation was $295,000 and our 1991-92 allocation was $297,000, a 29 percent decrease per student. Supplemental Educational Opportunity Grant funding was $86,000 in 1981-82 and increased to $108,000 in 1991-92, or

in other words, about $20 more per student if divided equally between all new financial aid recipients. Allocation formulas that do not reflect actual circumstances, regulations that guarantee certain levels of funding and budget limitations thus combine to penalize needy students who choose to attend UNK and similar institutions.

The increasing utilization of educational resources by non-traditional students, who currently constitute 41 percent of UNK's enrollment, has only served to stretch limited resources even further. They should not be forced to compete for funding with traditional students. The programs need to be funded at levels that can meet the needs of both groups and it needs to be done without increasing the already sizable loan/grant imbalance. The Pell program needs to be fully funded and made a true entitlement program.

In addition, exceedingly complex regulations, many designed to help lower the well-publicized Stafford default rate, make administration of the programs more and more difficult, costly and confusing to students. And UNK's default rate is only 4.3%. More emphasis needs to be placed on initiatives like the Quality Control Pilot Project, which allows schools who prove their ability to effectively manage the programs to do so under a less restrictive environment than schools that have difficulty managing the programs. Schools who manage well can be certified by the Department of Education in a manner much like the current

academic accreditation process and recertified only every several years. Those who have difficulty managing the programs can then get more training and compliance verification on a regular basis.

The current economic difficulties in many states are forcing tuition hikes at colleges and universities. A recent report indicates that 29 states have cut their higher education budgets at mid-year and 45 plan to raise in-state tuition. Increases such as UNK's 11% are not uncommon and they go as high as 59% at some New York universities. Add to that the fact that federal aid to education, adjusted for inflation, has decreased 24.3% over the last 10 years and you begin to see where the problems originate. State governments are by their very nature political and parochial. We cannot look to the states to remedy what are national needs in the education arena. Congress must see education as the priority it truly is for most Americans and fund it accordingly.

With your continued assistance American education can move into the 21st century as the premier educational system and continue to assist students in their pursuit of the American dream. Let's work together to ensure that sufficient funding is available to encourage the pursuit of this dream.

Chairman WILLIAMS. Thank you. Our thanks to all of you.

Doctor Massengale, in your testimony you took a moment to oppose the administrations' proposal to eliminate the Part E of Title IV when Counsel for Legal Education Opportunities and you mentioned the necessity of providing an experience for a short time to minority students who might be interested in a legal education.

Could you expand on your support for that effort more for us, please?

Mr. MASSENGALE. I will if I can. And we have been one of the institutions who participated in that program, where backing comes from the institution to meet those of the Federal Government for providing experience prior to entering law school.

And I think it does two or three things. Number one, it helps them decide whether or not they want to enter the legal profession. Secondly, if they do, they're better prepared to cope with the changes that occur when they do enter law school.

We found it has helped us increase our minority enrollment in our law school, I'd say by a significant amount.

I think these are the very people in our society that we need to try to help to get in to the professional schools and I believe it would be a critical mistake to eliminate that from the provision of the reauthorization.

Chairman WILLIAMS. Thank you. Doctor Reeves, in your testimony you surprised me some with the statement that institutional aid for your students, that is financial assistance, coming directly from your school to students was now your largest expenditure and comprises almost 28 percent of your total spending.

I assume you have found a significant increase in that percentage during the 1980's and in the first part of the 1990's?

Mr. REEVES. Absolutely. That's when the increase has jumped dramatically.

Chairman WILLIAMS. What occasioned that increase?

Mr. REEVES. Well, I think some of it's due to several things. One of the things is the increase in tuitions that had to be both done to meet those expenses.

As I said, they go along with testimony that there has been a decrease in the middle income student being able to receive Federal financial assistance, and as a result of that, the institution has tried to fill that gap itself.

And of these things have just converged on us to the point that access is really a question. I'm very sensitive to the problem of indebtedness of students, but I feel very strongly that if indebtedness is my second concern to access of a student being able to attend a independent college or university today.

And I think that, that's the reason we've tried to fill in with institutional financial aid.

Chairman WILLIAMS. Thank you. Ms. Seline, also, noted the tension between a high concern for indebtedness, which you mention on page three of your testimony, Ms. Seline, and you mentioned, later, I think on page five of your testimony, your support for approval of a reasonable increase in the loan limits.

And so while you, as we, have a concern about indebtedness, we also want more loan money available to students.

How do we reconcile those two real problems?

Ms. SELINE. Somehow I knew, Congressman, that you would touch upon that question. And I raised it very definitely there.

I guess, what I would like to suggest is that, and I think Doctor Reeves would agree with me, the private institutions support stated that dilemma and yet, we must say that without the support of the Federal Government and it's efforts to provide loans to students, those who choose the private educational sector would probably never be able to come in to the private education system.

I like to think that we are watching very closely, as I've tried to characterize the group of students that we do have in our professional schools, and our graduate programs and most of them we've seen through the undergraduate era, we're trying to find ways to be careful about their indebtedness.

But you're right, they still need the money because of the tuition increases. It is a dilemma which you face, which we face, but we have to say, please don't shut off that opportunity for the disadvantaged and middle income student.

Chairman WILLIAMS. Doctor Schallenkamp, being from Montana and having been briefed in instances by some placebounded people out there, I know of administrators who face the same problem that you do at Chadron in trying to develop distance coordinating classrooms.

How many, how many staff people does Chadron have who are involved directly in providing those opportunities to people who are located other than on your campus?

How many staff people do you have involved in the distance program?

Ms. SCHALLENKAMP. We have, we offer about 80 classes each semester off campus. And most of those are offered directly by our staff of people.

We have 80 student faculty, though some of our faculty are off campus more than others on campus.

And we do have to hire some adjunct faculty people because of the distances.

Chairman WILLIAMS. It's very expensive, isn't it?

Ms. SCHALLENKAMP. Yes, it is.

Chairman WILLIAMS. Are your students who are enrolled in that part of your operation, are they staying with it?

Ms. SCHALLENKAMP. Many of them are. It's hard to track them because they stop out for a semester or two and then come back in, but many of them are completing these programs.

Chairman WILLIAMS. All right. I want to just emphasize a point that Doctor Snyder made. We shouldn't miss it.

At this institution in, at the beginning of the last decade, tuition was $23 an hour. Now it is $45 an hour.

Since, or during that same period this institution has suffered a 29 percent decrease per student in work study monies, and much of the same statistics have been used for the other campus based programs and financial data offered in testimony to the Federal Government.

I want to make this point, hopefully not in a partisan way. But many Americans wore this button during the 1980's that said you can't solve problems by throwing money at it and that was fine and a fun button to wear.

The problem is, we took it seriously and forgot that you can destroy programs by not properly funding them.

And we have come perilously close in this country to seriously injuring our campus based student financial assistance programs by not putting enough money in them, and it is students and institutions such as this one which are experiencing great financial difficulty because of the cut backs, very real cut backs, in the 1980's.

Congressman?

Mr. BARRETT. Thank you, Mr. Chairman.

Doctor Massengale, I too, like my colleague, am interested in your support for CLEO, because as you know better than I there has been considerable discussion because of possible duplication of the legal training programs.

I guess the point was made very clearly by you that we should continue to support the Continuing Legal Education Program.

Mr. MASSENGALE. That would be my recommendation. I think it was serving a secular society needs to be entitled to professional legal education and I, our own experience has been very positive and that's another reason for my support.

Mr. BARRETT. I appreciate that fact. I even made a note that you specifically said, "we should retain this vital program."

Let me share just very briefly a new idea that Congressman Tom Petri of Wisconsin has started floating back there.

He calls it income dependent education assistant act. The acronym is IDEA.

Under IDEA, he seems to feel that a student wouldn't be strapped, then, in making loan payments. Right now, the loan payments are not based upon student income. He feels it should be based on student income rather than a flat monthly payment.

In other words, proponents, if my research is correct, of the concept claim that a student wouldn't be strapped because if their income fell in below they poverty level they wouldn't have to pay it.

And on the other hand, payments could go on for 10, 15, 20 years. Any comments at first blush, about this idea?

Mr. MASSENGALE. It's an interesting idea. Certainly one that I think we should explore. It's the first time I'm familiar with it and so it's probably premature to comment on it's quality verbatim. But it's one that makes sense in the American system of paying according to your ability, it seems to me.

And Doctor Snyder has, of course, an expert background in student affairs. She may wish to comment on it, also, and share her thoughts with us.

Ms. SNYDER. I know that later this morning you will hear from the President of our student body. We have our, of our student region, who has some specific information about the average amount of debt that our students come out with.

But if you look at one, our students at UNK, and that would be true for any of our institutions of higher education, an average debt level of, along with what we would anticipate to be an average charge to families, there is no doubt that they are looking at a prohibitive amount of debt.

I give you one example, a student that I know graduated this past spring semester. Starting as an admissions counselor at an-

other institution in the State as $17,000 a year, based on his loan acquisitions during college, and he did complete in 4 years.

He will have a monthly payment of about $285 per month on a $17,000 a year salary. It's very hard to see how young people can come out individually, how they can come out and really make something of themselves and, economically when you're talking about those kind of payments.

Mr. BARRETT. I appreciate that very much.

Doctor Reeves, I also appreciated your testimony regarding the requirements to qualify for student loans and I would just reemphasize what I said in my opening remarks to you and Ms. Seline and Congressman Williams and Majority Leader Gephardt. I believe that Congress had introduced H.R. 2560. I have indicated my support as well.

Okay. Kay, or Doctor Schallenkamp, I particularly was interested, you cut to the core of the apple rather quickly.

I enjoyed the comments on outreach as it affects Chadron State College, because you do have some problems that are rather unique to this State.

Tell me, just very briefly, about the Title III package you received or tell us, maybe, about your education programs. How long did it take you to receive the grant and approximately how much money is involved?

Ms. SCHALLENKAMP. The grant is, I'm sorry, I can't give you the exact amount, but it has three components attached to it. One is the distance component, which allows us to develop the T1 distance learning, telecommunications capability in the panhandle.

Another component is to help us to enhance our general studies program and a third component is designed to help us with nontraditional age students, to provide services that they need.

It took a long time to develop the grants and, well over a year that we worked on developing the grants, identifying the Title III work.

Mr. BARRETT. Is it permissible for Mr. Whitacre of my staff to contact your office later this week?

Ms. SCHALLENKAMP. Yes.

Mr. BARRETT. Because we can discuss that in more detail.

Ms. SCHALLENKAMP. I would appreciate that. Thank you.

Mr. BARRETT. Good. Doctor Snyder, if this was happening outside of the congressional chambers we would think that it's entirely appropriate, but it would go by the name of lobbying.

I said at the outset that this is a panel of experts and it is. It most certainly is.

Doctor Snyder, specifically talked about tuition increases and so forth.

In your opinion, have tuition in rural schools pretty much matched that of our urban universities or not? Are you saying there is still a disparity in tuition?

Ms. SNYDER. I don't have an exact figure. But I would say that we are, we are experience, probably, similar problems to other public higher education colleges.

Mr. BARRETT. All right. Doctor Snyder, thank you very much.

Thank you, Mr. Chairman.

Chairman WILLIAMS. Thank you. I want to thank each of the members of this panel for coming by and giving us your advise and counsel. Thank you.

Will the five members of panel two would come forward now, and take your places at the witness table.

We thank each member of this panel for joining us and I just overheard Doctor Hasemeyer tell Congressman Barrett that he was on the road at 6 o'clock and he was here this morning.

I know somewhat the same is true with regard to any of our witnesses, and we really are very appreciative of the effort that you all made today to be with us.

Doctor William Hasemeyer is the President of Mid-Plains Community College. Community colleges are an extremely important part of higher education, postsecondary education in America.

Doctor, we're glad you're with us.

Mr. HASEMEYER. Thank you.

Chairman WILLIAMS. Please proceed.

STATEMENT OF WILLIAM HASEMEYER, PH.D., PRESIDENT, MID-PLAINS COMMUNITY COLLEGE AREA

Mr. HASEMEYER. Congressman Williams and Congressman Barrett, it is a pleasure for me to be here this morning.

You said I was Hasemeyer. I don't pronounce it Hasemeyer, it really is Hasemeyer. You're right.

Chairman WILLIAMS. It is in Montana. Hasemeyer.

Mr. HASEMEYER. It should be.

I represent Mid-Plains Technical Community College Area. The Community College Area that I represent has a little over 20,000 square miles. We have about 94,000 people.

We have two colleges, one in North Platte, Nebraska and one in McCook, Nebraska. These two colleges enroll around a little over 1,100 full-time credit students, about 2,000 part-time credit students and a little over 7,000 in continuing education.

I am one of six areas in the State of Nebraska and the State is divided in to six community college areas and presently the other five colleges are in my office in North Platte having a meeting while I'm here. So I think that's probably good.

I would like to briefly describe some certain characteristics of our community college students and related issues, and our perception of what the Federal Government might do to facilitate improvement.

The non-traditional student will be the largest percentage of our student body whose average age is 29 years old.

We service displaced workers, women entering traditionally male dominated fields, single parents who have families, re-entry people, farmers who had to take out bankruptcy, the economically disadvantaged, and the low to medium achieving students with no direction.

The attrition rate is high for the inadequately prepared high school graduate who comes to the community college with no clear goal in mind. We find that approximately 50 percent of these students need to be enrolled in developmental programs in order for them to achieve success in the community college.

Over one half of our students are part-time students. Many of them work day jobs and are upgrading their skills by attending classes at night.

With many of our students being female heads of households we have also instigated a program we call Tuesday College on one college campus and Thursday College on the other college campus, whereby it's possible to come in and spend a day on the campus and to earn up to 12 semester hours of credit.

Many of these people are able to, their bosses or their companies they work for will allow them to take one day off to come to school, and that really has helped them and has helped us.

Also the individual part I do not have, but since 1975 the Mid-Plains Community College has entered into an agreement with the University of Nebraska at Kearney, whereby we were able to have people earn degrees from Kearney and never set foot on the soil of this institution except to walk across the stage and pick up their degree.

Kearney has had faculty members on the road. It's 90 or 100 miles west on the interstate. We would take care of the first 2 years and then Kearney would also teach the second.

We found that this is a great opportunity for the people in our area to be able to earn a degree, because they were placebound because of parents, or being parents and maybe because of their jobs.

Community Colleges are enrolling over half of all incoming freshmen students. In many States, the growth is more than the increase in State funding.

Most States are experiencing a severe financial crunch and, therefore, increases in funding are not keeping pace with inflation and growth. That's certainly true in the State of Nebraska.

Community colleges have also operated with open access to higher education and this is presently being threatened.

Regardless of whether they possess a high school diploma or a GED certificate, all of our incoming students are required to demonstrate their ability to benefit.

Our community college will prescribe what courses these students should take when they enroll. We will need more resources to provide the additional services needed for those that are academically deficient, and we need to deliver career counseling for those who have no idea what they want to pursue.

The community colleges have established articulation agreements with baccalaureate institutions in order for the students to make a smooth transfer to the next level of education.

Presently our area is working with agreements not only with the higher education, but also agreements with post, or secondary schools so that we might be able to make transition from the secondary community college to the higher education more worry free.

The enrollments in our academic transfer and vocational/technical programs have shown a growth during the past 5 years and will continue to grow because of the needs that are there for our constituencies.

The American Association of Community and Junior Colleges and the Association of Community College Trustees have developed

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a position statement on the Reauthorization of the Higher Education Act.

Education must be a player for human resources development and economic development. As pointed out earlier, the average age of our student body is 29 years.

If the Higher Education Bill is designated, or designed for traditional students, this does not really meet our needs. I realize that the Rural Community Colleges are located many times in sparsely populated areas such as ours, and that much of the Federal legislation seems to be drafted for the urban areas.

If we can't find adequate funds for education opportunities for rural people, the out migration from the rural areas will continue and this could compound the problems already being faced by the urban areas.

I would like to address the following major issues for Nebraska and some suggestions for your consideration.

The current student aid delivery is too complicated. The people who work with students dealing with finances have had to increase the amount of time and the amount of people in order to complete the necessary paper work.

I'd recommend that we establish a base for all students of $2,500; that we streamline and simplify the process with a single page form, standardized for all institutions.

Many potential students are turned away from colleges because of their complicated application forms. We should adopt a single methodology for calculating aid awards.

Two, there is a lack of integrity and accountability in the student loan program. Since 1980 the costs on student loan defaults have increased from $200 million to over $2.5 billion this year.

With respect to loan defaults, postsecondary educational institutions are saddled with accountability without responsibility, and the financial institutions are in the position of responsibility without accountability.

We would recommend that educational institutions and financial institutions work together in the process of loan approvals.

That we would increase the number or percentage of grants rather than loans; that we eliminate the fly-by-night schools as far as eligibility for students to get loans.

That we set up criteria that identifies characteristics that make up reputable colleges and use this list to determine eligibility of institutions to participate in the program.

There is an imbalance between grants and loans. In the 1970's there were approximately 80 percent grants and 20 percent loans. Currently we find less than 50 percent grants and more than 50 percent loans.

We recommend that we increase the amount of the Pell Grant from the current $2,400 to $4,000. The increased Pell Grants will eliminate the need for students to borrow, thus easing the national default rate.

The Pell Grants should become an entitlement. Needy students should be able to complete at least 1 year of postsecondary education on grant dollars.

The poorest of students are now forced to borrow and have little or no potential for repayment of loans.

We need to address the needs of the non-traditional student. The new technology and knowledge explosion require continuing education and skill upgrading for all workers throughout their careers.

We recommend that you maintain Pell eligibility for less than one/half time students and that we replace titles I and IX with a national network of employer-college partnerships for human resources and economic development.

In addition, the Federal Student Aid policy has no incentive built in to encourage a student to stay in school, study harder, or take courses that are more demanding.

Many students take courses which are not real challenging so they can maintain a high grade point average and that they can enhance their opportunities for student financial aid.

We recommend that they develop a plan in which it would be possible to obtain more than the base of $2,500 when certain criteria is met.

After the first year grant, base awards for subsequent years should be determined by using the same criteria as was mentioned in (a).

In closing, I would like to commend this subcommittee on post-secondary education for taking on the task of reexamining the issues related to the Reauthorization of the Higher Education Act and for seeking input from the higher education community.

I wish you the very best in your endeavors.

[The prepared statement of William Hasemeyer, Ph.D. follows:]

Mr. Chairman: I am Bill Hasemeyer, President of Mid-Plains Community College Area. The Mid-Plains Community College Area is made up of eighteen counties, with 94,665 people, and 20,761 sq. miles. There are two colleges, one in North Platte, Ne. and one in McCook, Ne. These two colleges enroll 1,147 full-time credit students, 1,941 part-time credit students and 7,328 continuing ed students.

I want to thank you for asking me to testify on the Re-authorization of Higher Education Act and what problems the rural community colleges will face. I appreciate the opportunity to report to you what is happening in our area. I would like to commend the subcommittee on Postsecondary Education for bringing this hearing to Kearney, Nebraska.

I would like to briefly describe certain characteristics of our community college students and related issues, and our perception of what the federal government might do to facilitate improvement.

The non-traditional student will be the largest percentage of our student body whose average age is 29 years old. We service displaced workers, women entering traditionally male dominated fields, single parents who have families, re-entry people, farmers who had to take out bankruptcy, the economically disadvantaged, and the low to medium achieving students with no direction. The attrition rate is high for the inadequately prepared high school graduate who comes to the community college with no clear goal in mind. We find that approximately fifty

percent of our students need to be enrolled in developmental programs in order for them to achieve success in the community college.

Over one half of our students are part-time students. Many of them work day jobs and are upgrading their skills by attending night classes.

With many of our students being female heads of households, we have instigated a program we call Tuesday College on one college campus and Thursday College on the other college campus, which makes it possible for people to earn as many as twelve semester hours of credit by attending college one day a week. These people are highly motivated but their responsibility to their family and to their job, makes it impossible for them to carry a full load.

Most of the single parents qualify for Pell Grants. Many of these people do not take advantage of Pell Grants because they do not feel they can successfully take enough class hours to make them eligible for the Grant.

Community Colleges are enrolling over half of all incoming freshmen students. In many states, the growth is more than the increase in state funding. Most states are experiencing a severe financial crunch and, therefore, increases in funding are not keeping pace with inflation and growth. This is true presently in the State of Nebraska. If this trend prevails, it will be necessary to pass on the increased costs to our student and this

would cause a definite hardship on some of the students, especially those who cannot qualify for financial aid.

The community colleges have always operated with open access to higher education and this is presently being threatened.

Regardless of whether they possess a high school diploma or a GED certificate, all of our incoming students are required to demonstrate their ability to benefit. Our community colleges will prescribe what courses these students should take when they enroll. We will need more resources to provide the additional services needed by those who are academically deficient, and to deliver career counseling for those who have no idea what they want to pursue.

The community colleges have established articulation agreements with baccalaureate institutions in order for the students to make a smooth transfer to the next level of education.

Presently our area is working out agreements with area high schools to provide educational opportunities through the tech-prep program. This will enhance the movement from secondary to the community college without repeating courses as much of this training is based on vocational competencies.

The enrollments in our academic transfer and vocational/technical programs have shown a growth during the past five years and will continue to grow because of the need presented by our constituency.

The American Association of Community and Junior Colleges and the Association of Community College Trustees have developed a position statement on the Re-authorization of the Higher Education Act. This statement is included as attachment a.

Education must be a player for human resources development, and economic development. As pointed out earlier, the average age of our student body is 29 years old. If the Higher Education Bill is designed for traditional students, this does not really meet our needs. I realize that the Rural Community Colleges are located many times in sparsely populated areas such as ours, and that much of the federal legislation seems to be drafted for the urban areas. If we can't find adequate funds for education opportunities for rural people, the out migration from the rural areas will continue and this could compound the problems already being faced by the urban areas.

I would like to address the following major issues for Nebraska and some suggestions for your consideration.

1. The current student aid delivery is to complicated. The people who work with students dealing with finance, have had to increase the amount of time it takes to complete the necessary paper work.

Recommendations:

(a) Establish a base for all students of $2500.

(b) Streamline and simplify the process with a single page form and standardized for all institutions. Many

potential students are turned away from college by the complicated application form. We should adopt a single methodology for calculating aid awards.

2. There is a lack of integrity and accountability in the student loan program. Since 1980 the costs on student loan defaults, have increased from $200 million to over $2.5 billion this year. With respect to loan defaults, postsecondary educational institutions are saddled with accountability without responsibility, and financial institutions are in the position of responsibility without accountability.

Recommendation:

(a) Educational institutions and financial institutions work together in the process of loan approvals.

(b) Increase the number or percentage of grants rather than loans.

(c) Get rid of fly by night school as far as eligibility for students to get loans.

(d) Set up criteria that identifies characteristics that make up reputable colleges and use this list to determine eligibility of institutions to participate in the program.

3. There is an imbalance between grants and loans. There has been a definite shift of grants to loans. In the 1970's there were approximately 80% grants and 20% loans. Currently we find less than 50% grants and more than 50% loans.

Recommendation:

(a) Increase the amount of the Pell Grant from the current $2,400 to $4,000. Increased Pell Grants will eliminate the need for students to borrow, thus easing the national default rate.

(b) The Pell Grants should become an entitlement.

(c) Needy students should be able to complete at least one year of postsecondary study on grant dollars.

(d) The poorest of students are now forced to borrow and have little or no potential for repayment of loans.

4. We need to address the needs of the non-traditional student. The new technology and knowledge explosion require continuing education and skill upgrading for all workers throughout their careers.

Recommendation:

(a) Maintain Pell eligibility for less than one/half time students.

(b) Replace titles I and IX with a national network of employer-college partnerships for human resources and economic development.

5. The Federal Student Aid policy has no incentive built in to encourage a student to stay in school, study harder, or take courses that are more demanding. Many students take courses which are not real challenging so they can maintain a high grade point average so they can enhance their opportunities for student financial aid.

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Recommendations:

(a) Develop a plan in which it would be possible to obtain more than the base of $2500 when certain criteria is met.

(b) After the first year grant, base awards for subsequent years should be determined by using the same criteria as was mentioned in (a).

In closing I want to commend the subcommittee on postsecondary education for taking on the task of re-examining the issues related to the Re-authorization of the Higher Education Act and for seeking input from the higher education community. I wish you the very best in your endeavors.

ATTACHMENT A

THE HIGHER EDUCATION ACT REAUTHORIZATION
AACJC-ACCT POSITION STATEMENT

By Frank Mensel and Ashley Grey

American Association of Community and Junior Colleges

AACJC and ACCT have sent Congress a joint Position Statement on the reauthorization of the Higher Education Act that asks Congress to make the act "the cornerstone of a national strategy for human resource development." It emphasizes:

"Higher Education bears a large responsibility for helping build such a strategy. It must recognize that today's traditional student is the working adult, and must program itself accordingly."

The statement was prepared by the Joint Commission on Federal Relations and is being published for distribution to AACJC and ACCT members and Congress. A side-by-side summary comparing the major proposals to current law appears inside this brief.

The proposals are drawn around six priorities, set forth by the statement as:

- The Pell grant should become an entitlement -- designed to ensure that the neediest students can complete at least one year of postsecondary study without loans.
- Student aid delivery should be simplified for both students and institutions, and the deficiencies in departmental management of the programs should be rectified.
- Titles I and XI should be replaced by a national network of employer-college partnerships for human resource and economic development, to provide "relevant skill upgrading for all workers throughout their careers," to increase workforce literacy, and to infuse instruction with more state-of-the-art technology.
- A parallel initiative in "pipeline" articulation is needed to raise sharply the flow and retention of transfer students, particularly ethnic minority students who pursue careers in teaching, science, and engineering and public service.
- Grave urban problems, from dropouts to waste management, call for new levels of cooperation and leadership from public and private institutions, and an Urban Extension Service should be established to help urban community colleges and universities spearhead the solutions.
- Establishment of the position of Assistant Secretary for Adult and Community College Education would enable the U.S. Education Department not only to better coordinate federal programs with the work of community, technical, and junior colleges, but also to improve inter-agency cooperation and strengthen the educational partnerships involved in training for the employer community.

[Continued on back page]

Opportunity With Excellence

The formula that AACJC and ACCT propose for the Pell Grant also has the active support of five other major associations – the American Council on Education, the American Association of State Colleges and Universities, the Association of American Universities, the National Association of Independent Colleges and Universities, and the National Association of State Universities and Land Grant Colleges.

The formula would provide a base allowance of $2,500 and a maximum grant of $4,000 in the first operative year of the new law (FY'94). Above the $2,500 base, the grant would cover tuition at 25 cents on the dollar, up to an additional $1,500.

AACJC and ACCT believe that a substantial increase in the Pell Grants and simplified aid delivery, for both students and institutions, hold the keys to greater college access for under-served populations.

AACJC and ACCT want Pell eligibility maintained for less-than-half-time students.

For strengthening institutions, they urge a substantial increase in the endowment Challenge Grants, with grant eligibility open to all schools that have established Title III eligibility.

The statement also proposes:

- A comprehensive title on communications technology, transfer, and library and learning-resource networking to replace the current Title II library assistance.
- Assistance for undergraduate faculty in languages, area studies, and international education, equal to the act's current support for graduate study.
- Scholarships for community college graduates seeking careers in teaching, and in-service professional development for community college faculty, such as weekend and summer workshops.

The statement emphasizes that the national interest will be served best "if reauthorization targets those areas where higher education can do the most to strengthen human resource development and American productivity. Community colleges see three priorities as paramount:

- To achieve a world-class workforce, education must both turn back the tides of adult and workplace illiteracy and satisfy the specific skill needs of the employer community.
- American research, technology, and science must be kept at the cutting edge, and technology transfer given strong emphasis and support.
- The teaching profession must be strengthened on every level, especially in mathematics and science, and technological breakthroughs used to enhance both teaching practices and student assessment.

Without a better and more culturally diverse supply of classroom teachers on every level, the first two goals will be elusive, if not unattainable. A democratic society undervalues its teachers at its own peril; at the same time, educators and teachers should take the lead in changing the archaic school year and the misguided pecking order of academe. Good pre-school and elementary school teachers are easily as important to America's future as the most learned professors.

Chairman WILLIAMS. I thank you. Mr. Andy Massey is President of the Student Association at the University of Nebraska at Lincoln, and I understand Mr. Massey is a student member of the Board of Regents.

Pleased you're with us. Looking forward to your testimony.

STATEMENT OF ANDY MASSEY, PRESIDENT, STUDENT ASSOCIATION, UNIVERSITY OF NEBRASKA AT KEARNEY

Mr. MASSEY. Thank you for giving me an opportunity to speak in front of you today. With such a large number of students that are going to be affected by changes in the Higher Education Act I commend this committee for taking the time to visit our State.

I hope that I can give you some of the University of Nebraska at Lincoln concerns about Federal aid. There are three issues that I will address.

First one being, a better way for the Federal Government to explain to students how Federal aid is received.

Second, is that now is the time for even a larger commitment to postsecondary education.

And third, the problem of who should receive aid.

The Federal aid for postsecondary education has been growing more and more complex with every new dollar budgeted. Students are finding it harder and harder to understand what aid is available for their education.

An item that would benefit the students is a national quick reference brochure explaining the guidelines for Federal grants and loans. There easily could be such a pamphlet, but I have not been able to locate one.

Students don't learn about the proper chain of events for receiving aid until the due date is passed.

The next suggestion is to try to set up a study of postsecondary institutions which have a financial aid program that produces very low default rates for student loans and a successful grant program.

It seems financial aid programs are handled differently by each institution across the Nation. This study would benefit institutions that are not doing a good job of getting Federal aid, by showing them the way successful programs are functioning.

As a percentage, State aid across the Nation has been decreasing. Because of these State financial restrictions, State-funded colleges must look elsewhere for money. Unfortunately, they are looking at tuition.

As you well know, low-income and middle-income students are finding it hard enough to locate funds for college. Public institutions are constrained by fiscal realities and are limited by a number of seats they can offer when there is limited funding.

Meaning that a decrease in funding in Federal aid and State assistance will ultimately limit student enrollment in public institutions.

This decrease is evident at the University of Nebraska by certain colleges in restricting the number of students attending their classes by raising the standards for students to stay in these college programs.

Why I make this point is that, as a student, I support increased restrictions or higher standards for admissions if there is a continuing decline in Federal aid, State or alumni support. Access, more than ever, is now being under taxed.

The school that I attend has a very low rate of loan default. The University of Nebraska, Lincoln, in 1988, reported a default rate of 3.3 percent. This rate is an extremely low rate when you compare it to the national average of 16.7 percent.

This high national percentage of default is a sad indicator of misuse and fraud and also is evidence that students incur a considerable amount of debt while in college. One way to help lower Federal losses for default is to limit the amount of loans given to institutions that have a high rate of loan default.

The University of Nebraska is right now being penalized for those institutions whose students are not successfully paying back their loans. This policy is not a good way to promote the university to actively pursue students to uphold their obligation and to pay off their debt.

At the University of Nebraska at Lincoln the students are using Federal dollars in the proper way. There has to be a system that help States that have a lower default rate. Once the student has the potential to help, the problem is the direct student loan program.

Now, I'd like to talk about indebtedness. I have two examples that come to me.

One is that I met a friend that has just graduated and I asked him what he was doing on campus and he explained that he couldn't find a job and so he's trying to go back to school so he can have a way to pay off the loans.

And he completely misunderstood the popular way of paying these loans back and he was really concerned because he didn't have a way to pay it back.

Another one is that I recently talked to a student that graduated from the University of Medical Center in Omaha. He is doing residency and he is getting around $2,000 a month and his loan amounts to $800 a month.

And so pretty much a third of his income is going for his student loans. He did have the money to pay it out but that wasn't the problem.

His problem was that he had to pay it off then. Because eventually, once he got out of college schooling, he would have that money to pay it off.

All he wanted was to defer it. That is probably one of the biggest problems right now. Students trying to figure out when they're going to pay off their loans and what they're going to pay it off with.

Another area of concern is that students with family incomes of $100,000 or even more can qualify for Federal loans if they attend a high priced private institution.

To me this seems a misuse of Federal funds, when a student coming from a middle class family, attending a State funded institution, has a problem qualifying for Federal loans.

Lastly, I recently read in the Congressional Record that the current administration believes that families should be expected to

borrow against the value of their family's house and farm. With so many farmers who already have their farm property being used as collateral, this can only be looked at as another burden placed on rural Americans.

Family land is not a luxury item that can be used in calculating how much Federal aid a student is eligible to receive.

In conclusion, there are institutions that are using Federal education programs to help students achieve postsecondary education. We need to support these students and these institutions in their goals to acquire higher education.

Thank you.

[The prepared statement of Andy Massey follows:]

TESTIMONY OF ANDY MASSEY

before the HOUSE POSTSECONDARY EDUCATION SUBCOMMITTEE

July 15, 1991

Thank you for giving me an opportunity to speak in front of you today. With such a large number of students that are going to be affected by changes in the Higher Education Act I commend your committee for taking the time to visit our state. I hope that I can give to you some of the University of Nebraska at Lincoln concerns about federal aid. There are three issues that I will address.

First, a better way for the federal government to explain to students how federal aid is received.

Second, now is the time for even a larger commitment to postsecondary education.

Third, the problem of who should receive aid.

Some ideas on how to explain to students how federal aid works.

Federal aid for postsecondary education has been growing more and more complex with every new dollar budgeted. Students are finding it harder to understand what aid is available for their education. An item that would benefit students is a national quick reference brochure explaining the guidelines for federal grants and loans. There easily could be such a pamphlet, but I have not been able to locate one. Students don't learn about the proper chain of events for receiving aid until the due date is passed.

The next suggestion is to try to set up a study of postsecondary institutions which have a financial aid program that produces very low default rates for student loans and a successful student grant program. It seems financial aid programs are handled differently by each institution across the nation. This study would benefit institutions that are not doing a good job of getting federal aid, by showing them the way successful programs are run.

Why more Federal aid is necessary.

BEST COPY AVAILABLE

As a percentage, state aid across the nation, has been decreasing. Because of these financial restrictions, state-funded colleges must look elsewhere for money. Unfortunately, they are looking at tuition. As you well know, low-income students are finding it hard enough to locate funds for college. Public institutions are constrained by fiscal realities, they are limited in the number of seats they can offer, when there is limited funding. Meaning that a decrease in funding in federal aid and state assistance will ultimately limit student enrollment in public institutions. This decrease is evident at the University of Nebraska by certain colleges restricting the number of students attending their classes by raising the standards for students to stay in these college programs. Why I make this point is that, as a student, I support increased restrictions or higher standards for admissions if there is a continuing decline in federal aid, state or alumni support.

Who should receive aid.

The school that I attend has a very low rate of loan default. The University of Nebraska Lincoln, in 1988, reported a default rate of 3.3%. This rate is an extremely low rate when you compare it to the national average of 18.7%. This high national percentage of default is a sad indicator of misuse and fraud, and also is evidence that students incur a considerable amount of debt while in college. One way to help lower federal loses for default is to limit the amount of loans given to institutions that have a high rate of loan default. The University of Nebraska is right now being penalized for those institutions whose students are not as successful in paying back their loans. This policy is not a good way to promote the university to actively pursue students to uphold their obligation to pay off their debt. University of Nebraska at Lincoln students are using federal dollars in the proper way. There has to be a system that help states that have a lower default rate.

Another area of concern is that students with family incomes of $100,000 or even more can qualify for federal loans if they attend a high priced private institution. To me this seems to be a waste of money. When a student coming from an upper-middle class family, attending a state funded institution, will have a problem qualifying for a federal loan.

Lastly, I recently read that the current administration believes that families should be expected to borrow against the value of their family's house or farm. So many farmers already have their farm property being used as collateral, which can only be looked at as another burden placed on rural Americans. Farm land is not a luxury item that can be used in calculating how much federal aid a student is eligible to receive.

In conclusion, there are institutions that are using federal education programs to help lower income students achieve postsecondary education. We need to support these students and these institutions in their goal of improving our education system.

Chairman WILLIAMS. Thank you. Mr. Bob Caldwell is, I believe, also the Student Body President here at Kearney. Mr. Caldwell, we're pleased to have you with us today.

STATEMENT ROBERT E. CALDWELL II, STUDENT BODY PRESIDENT/STUDENT REGENT, THE UNIVERSITY OF NEBRASKA AT KEARNEY

Mr. CALDWELL. Thank you very much. First of all, I'd like to take this opportunity to welcome you to our campus here at the University of Nebraska, Kearney, on behalf of the student body and commend you for putting two student regents on this board here today to give you some insight as to how the students feel things are going with higher education today.

Chairman WILLIAMS. Your Congressman insisted.

Mr. CALDWELL. We very much thank our Congressman from the third district. Ardent supporter of higher education.

Chairman WILLIAMS. I said one was enough, he said no, it isn't.

Mr. CALDWELL. Thank you, Congressman Barrett.

Today I will briefly outline for you my testimony in written form, and also elaborate on some of those aspects which are in that written testimony.

American Colleges and Universities today face both short and long term budget constraints. The short term picture, as we've seen in Nebraska, and the mild recession, as well as State and Federal funding shortfalls have hurt higher education systems in our State.

We also can look at the long term approach, and it will offer, as we see, a more competitive environment for funding. More programs lobbying for funds takes more out of the till for each individual institution. I think one must also take global comparisons and look at it from that vantage point.

You see recent studies that indicate that IQ and SAT scores among U.S. Institutions are falling behind their counterparts in other industrialized markets across the world.

We know that many avenues exist. We need to have a Nation of higher education, but my report today will try to concentrate on two general areas: the Federal Government's obligation to educate and a student's perspective on how the current system working and give some ideas on how a new system would work.

As students we see the Federal Government's role in higher education is also parallel with our country's ability to be prosperous and grow. Better educated youth will transform into higher national productivity.

Today we see the principal sources of Federal help are research and student aid. Research, as we see it, has one main problem, that's out of date facilities needing an influx of new funds to rebuild. This can partially be remedied by funding research facilities as a direct cost of doing this research. To compete worldwide we must also maintain the resources for development of new technologies. This can only be accomplished with adequate facilities and staff to match.

Student aid is also a direct avenue in which the Federal Government can enhance education along with our future as students. As our economy and industries grow more complex, the work place, as

the student sees it, will mandate a college degree for entry in to a stable financial situation in our future.

And as the costs for attaining a degree, referring closely to our institution, the recent tuition hikes each year are strapping the students of lower and middle income families, not to mention minority families, in their ability to send their dependents and children to college.

Statistics have indicated the average family income must be over $50,000 to enable college to be an option for dependents or children. As I'm sure you know, this average is well out of range for many American families.

This is where we feel the Federal Government takes over and gives lower income families and middle income families, I should stress, the ability to send their children to college.

There's two main directions that a prospective student can take in going to college and receiving some type of aid and that's guaranteed student loans and our Federal grant system.

The government's recent trend, as many other testimony's have said today, has been towards loans and away from grants. We feel this increasing the burden on students, both in their financial obligations after college and in the endless complexity in receiving these loans and grants.

In my testimony today I would like to key on the word complexity because that's something that I think students are being hit with harder as they enter these higher education institutions and are having a hard time coping.

For example, the Federal Financial Aid form consists of over 13 pages of directions, often vague and tricky because some students do not have a background in filling out forms such as this. This is an example of only our first step, and I stress that that's only the first step, of attaining eligibility.

An overview of the process begins approximately 6 months before the semester enrollment with this form. Eligibility is usually determined and options are usually set, a set dollar amount grant and the ability to finance a guaranteed student loan.

Referring to what Doctor Snyder talked about, the average student at the University of Nebraska at Kearney usually realizes a debt in student loans of over $12,000 in 4 to 5 year period.

Giving you some idea as to the complexity as it deals in the loan area, it's usually financed at a local bank. The student will go through our financial aide office and to a local bank. The beginning student that first enters this realm of obtaining a loan usually thinks that that's where their loan's going to stay, is at that primary lender.

But to the contrary, the complexity starts all over again. The primary lender or local bank downtown can send your loan on a very tricky trial. It usually hits an upstream lender, then to a servicer such as UNIPAC, and another servicer, Sallie Mae, and then to a guaranty agency.

I think this movement of the loan and the financial situation of the student scares many students away from the lending institutions which supply these student loans. Simpler forms and a stationary lender would be suggestions from the students.

We also understand a debate exists in the Federal Government in a move towards more loans and less grants. Students strapped with the larger loans, it seems to me, are being handcuffed after graduation with monthly payments they can't afford. This is limiting the graduates ability to be upwardly mobile and thus, I see it as decreasing national productivity.

I use an example here in my testimony of a new graduate in the education field. In Nebraska they enter, and I know a couple of examples of friends of mine that have entered around the $17,000 per year. Usually a take home pay of around $1,000 a month.

Compare that in my testimony with a number of basic fundamental things that they must pay for upon entering the work force, such as rent and utilities, care service, food, car payment, clothes and miscellaneous, that takes up almost $940 to an average Nebraska graduate in the education field, thus leaving almost no room for that, if you take an average $12,000 tag, it's about $160 payment on that student loan.

General expenses for a graduate entering the work force just seem not to balance with this high loan payment a student must make.

Therefore, this limits to a graduate making a number of decisions such as marriage, buying a home, emergency expenses. And these next two I want to expound upon, and that's savings and consumer spending.

If the student is going to be hit with these large student loans, they're not going to be, as I said, more upwardly mobile. They will not be contributing as much to the environment in which they live, taxes and increasing what I would say would be the general welfare of our national economy. Concluding that this loan will have a somewhat negative impact on the national economy as these students will not be contributing as much as they could be.

Student advocacy would be towards an enhanced grant system that would not, so called, cement the feet of each of these graduates, rather give them, so called, wings to fly, wings to become what we know they can be, and if they can do this, I think they can contribute more back to the Federal Government, and also to society in not having these high loan payments.

But we, as students, also understand the adversity faced during tight fiscal constraints but as we see it they could offer some opportunity in that we must now be innovative and change.

And I say that together we must tackle these adversities with reform which today gives us a chance to give you insight to the reforms we would like, and not use them as a very poor excuse for the demise of our educational system.

And in conclusion, I would like to appeal to something that I know Congressmen and Senators and elected officials must look at, and that's constituency and how constituency fits in.

And in doing my research for this testimony I came across a really neat poll that was conducted by Chrysler Corp. and worthily so, they called it, Rediscover America, and out of 400,000 respondents from a ballot card that was put in a national magazine, they asked what are the Nations top three priorities of our Nation.

And overwhelmingly, as stated in my written testimony, I stress, overwhelmingly, 73.6 percent of those surveyed ranked education as number one on the priority list.

This was followed up by the economy at 53.1 percent and ending it out were the environment, crime, legal system, and health care.

But I think this shows that education will have a parallel effect on those that follow this area, if we have better educated youth and they're more upwardly mobile and don't have these high loan payments that increase, as I said, poor productivity, some savings and spending and a number of other things; my suggestion today would be that Congress set education as its number one priority and I think a lot of other things will fall in line.

And ending today, I'd like to thank my Congressman, Bill Barrett, from the third district of Nebraska, along with Congressman Williams for giving the chance for students to give some ideas. I think this is very important for students to be able to give their input to the process of reauthorization.

Thank you very much.

[The prepared statement of Robert E. Caldwell II follows:]

University of Nebraska at Kearney

Kearney, NE 68849

THE UNIVERSITY OF NEBRASKA AT KEARNEY

STUDENT BODY PRESIDENT / STUDENT REGENT

ROBERT E. CALDWELL II

COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

JULY 15th, 1991 TESTIMONY

American Colleges and Universities face both short and long term budget constraints. The short picture suggests the recession as well as state and federal funding shortfalls will damage the higher education system. The long term approach will offer a more competitive environment for funding, with more programs lobbing for funds. One must also realize that global comparisons must be made. Recent studies of both IQ and SAT scores have indicated that the U.S. is falling behind in its ability to turn out competitive graduates.

Many facets exist in the examination of higher education, but this report will concentrate on two general areas. The Federal Governments obligation to educate and a students perspective on how the current system works.

The Federal Governments role in higher education is in parallel with our countries prosperity and growth. Better educated youth transform into more national productivity. The principal sources of federal help are research and student aid. Research has one main problem, out of date facilities needing an influx of new funds to rebuild. This can partially be remedied by funding research facilities as a direct cost of doing research. To compete worldwide we must maintain the resources for development of new technologies. This can only be done with adequate facilities and staff to match.

Student Aid is also a direct avenue in which the Federal Government can enhance education along with our future. As our economy and industries become more complex, the work place will

mandate a college degree for entry into a stable financial situation. As the costs for attaining a degree go up, it will be more difficult for lower and middle income families to send their children to college. Statistics indicate that the average family income must be over 50.000 dollars to enable college to be an option for dependents. This average is well out of range for many americans. This is where the Federal Government takes over and gives lower income families the ability to send their children to college. Two main directions a perspective student can go, guaranteed student loans or federal grants. The governments recent trend has been towards loans and away from grants. This increasing the burden on students, both in financial obligations after college and the endless complexity in receiving a loan or grant.

Complexity is the key word. The Federal Financial Aid Form consists of over 18 pages of directions, often vague and tricky. An example of only the first step of attaining eligibility. The process begins approximately six months before your semester of enrollment. When eligibility is determined the options are usually a set dollar amount grant and the ability to finance a guaranteed student loan. An average student at The University of Nebraskaa at Kearney will realize a debt in student loans of over 12,000 dollars in 4 years. This loan is financed at a local bank and that is where beginning students think it stays. To the contrary, the complexity starts all over again. The primary

lender or local bank can send your loan on a very tricky trial to upstream lender, then to a servicer(UNIPAC), on to a new servicer (SALLIE MAE) and then to a guaranty agency. This movement scares many students away from the lending institutions which supply student loans. Simpler forms and a stationary lender would be suggestions from the students.

A debate also exists in the Federal Governments move towards more loans and less grants. Students strapped with large loans are being hand-cuffed after graduation with monthly payments they can't afford. This is limiting graduates ability to be upwardly mobile and thus decreasing national productivity.

Example #1: A student graduating with a teaching degree will enter the work force in Nebraska at approximately 17,000 dollars per year salary. Broken down to about 1,000 dollars per month take home. An expense breakdown will visualize the tight budget this new graduate will have to deal with.

Expenses 1 month period:

Rent & Utilities	------	$425.00
Car Service	------	$100.00
Food	------	$140.00
Car payment	------	$200.00
Clothes & Misc.	------	$75.00
	Total=	$940.00

This $940.00 total leaves the graduate short the average $180.00 per month payment on a student loan.

General expenses for a graduate entering the work force do not balance with a large loan payment. Therefor this limits a

graduate from a number of decisions: marriage, buying a home, emergency expenses, savings and consumer spending. Concluding that this loan will have a somewhat negative impact on our national economy. Student advocacy would be towards an enhanced grant system that would not cement the feet of new graduates rather give them wings to fly

We as students understand the adversity faced during tight fiscal constraints but see they offer opportunity in that we must be innovative and change. Let us together tackle our adversities with reform rather than using them as a very poor excuse for our demise.

In conclusion, I appeal to your need to be in touch with the views of your constituency. A recent poll conducted by Chrysler Corp. entitled Rediscover America. Asked Americans on a ballot card what are the nations top three priorities. (400,000 respondents)

Overwhelmingly EDUCATION ranked # 1 with 73.6% of the vote. Followed by the economy at 53.1% and ending it out were the environment, crime, legal system, and health care.

The U.S. Congress should also set education as its number one priority. With this investment so rests the fate of our nation.

Respectfully Submitted:

Robert E. Caldwell II

Robert E. Caldwell II
Student Body President/Student Regent

Chairman WILLIAMS. Thank you. Ms. Jeannine Phelan is the Director of Omaha Planning Center, Nebraska Higher Education Loan Program. I guess you came down from Lincoln to be with us today, did you?

Ms. PHELAN. Actually, I live in Omaha, and I'm the manager of about three agencies in Kearney, Lincoln and Omaha.

Chairman WILLIAMS. Thank you for being with us.

Ms. PHELAN. Thank you.

STATEMENT OF JEANNINE PHELAN, PROGRAM MANAGER, EDUCATIONAL PLANNING CENTERS, NSLP-NEBHELP

Ms. PHELAN. Chairman Williams, Congressman Barrett, I thank you for the opportunity to allow us to testify today on the reauthorization of the Higher Education Act.

I am pleased to represent three educational planning centers, as well as our sponsoring organization, Nebraska Higher Education Loan Program, NEBHELP, and Nebraska Student Loan Program, NSLP.

I am simply going to highlight my written testimony, but I will have to tell you that I represent the secondary market and guarantee agency in our State, so my comments are very much focused towards the student loan industry in higher education.

As companies, NEBHELP and NSLP, share a corporate mission to make higher education available for a better quality of life, more accessible to Nebraskans and this region. Because of that, we have a strong commitment to funding educational planning centers. We'd like to meet the service need with service available that is free of charge to all of Nebraska. And quite unique, it is not offered in other States in our region.

To give you an idea of some of the services that we provide, much is done in house where students and their families can come in to our offices and actually get a lot of information about looking for schools and what kind of advanced educational opportunities they may have.

And we will sit down with them and actually help them complete the applications for financial aid and we have a computer program that will estimate their eligibility for Federal assistance.

By doing these things, we can help a student get the early planning and early financial planning done for higher education.

Also, in the office, they can explore other options for financing by scholarship through a computer program and a wide variety of reference books available at each of the planning centers.

Although all of this I've stressed is in the office, there's much that we do to cover the entire State. There are outreach programs.

You'll see the Educational Planning Centers represented at each of the seven college fairs that is funded by NEBHELP and NSLP each year. The college fair allows Nebraska students to take advantage of representatives that come from all over the country to talk about advanced education.

Also, we have conducted over 120 financial aid nights throughout our State where we are out in the high schools talking to families about ways to further their education and how to access the higher financial aid, as we see here.

Through the colleges we do extensive work with them, to help the student understand before they borrow a loan what their rights and responsibilities are. So we provide free interim counseling to all of the schools in our State, and also provide loan repayment counseling material, which is the exiting material.

And actually, for all the schools represented here today, either through coming out to the college and conducting exit interviews, we're making all the material available, they all give us input and that helps NSLP, which we believe will help educate the students so you don't have the wide spread problem of default in the State of Nebraska.

With this outreach, we only have three offices in our State and a large State to cover, everything that we do is also available through the mail, so we have worksheets for all the computer programs we offer. So you do not have to just be in one of our three cities, we can cover the entire State.

I've made some specific recommendations in the written testimony that talks about two major categories, and that would be simplicity and access.

We've made the recommendations because we have 5 years experience in working with a wide range of students and families throughout our State. And over and over, those two topics come up. Simplicity and access.

To give you an idea of how many students we serve, and their families, last year we served over 46,000 people and for September to date, of this year, we have already served over 52,000 people.

So the need for early awareness and information about how this process works is huge.

To stress the written testimony about complexity we have some recommendations that you might be able to take back to your committee. The first encounter a family has with the financial aid process is the application for financial aid. We recommend that that application become much easier to understand and complete.

Also we recommend the redefinition of the independent student. Currently, that's almost one half of the first page of the application for financial aid.

To simplify it, we specifically recommend to take away the amount that the student has to earn when they first received financial aid. Leave the four automatic triggers and leave all others to professional judgement under the financial aid administrator.

For the student loan industry, we'd like to leave fewer, broader deferment categories for students in repayment. Right now there are at least fifteen deferment options, as students often times don't understand how they work or how to qualify for them.

The three we'd recommend would be in-school, unemployment and hardship, with guidelines provided by Congress and the Department of Education for their use.

We would like to see the elimination of the windfall provision in the Stafford Loan interest rate and replace it with a variable rate which is more similar to the flex programs, so our lenders can administrate it much easier.

And also, finally, under simplicity, to ensure that the Department of Education can issue regulations within the 240 days required by statute.

Under the broad category of access, also we have specific recommendations. We agree with Chairman Williams that we would like to have the middle income put back in to our Federal program.

To do so we also recommend the elimination of home, farm and business equity from the needs analysis system.

And to broaden the Stafford Loan Program so that more middle income families can have access to that program, for whom it was originally designed.

We would like to retain the special allowance payments that are currently given to lenders, so that we do not have an access problem in the future if lenders can no longer stay in the program.

We've talked a lot today about how much students are borrowing and the loan indebtedness they incur, so we strongly recommend reauthorization of the current consolidation program.

This is one repayment option that allows students with higher loan debts to bring those loans in to one new program, with an extended loan period, which makes their monthly payments lower.

Certainly it's in line with what was discussed today.

And finally, under access, we recommend what's being discussed through Congress right now, and that's our early awareness program.

And we believe the Educational Planning Centers is a prime example of how we can reach families early on in the process and help them understand how financial aid is administrated.

In the future, actually, we hope in this next year, to provide an early awareness program for students as young as the fourth grade, so that they have an understanding that there are opportunities for them to advance their education.

And to continue those early awareness programs into our junior high and high schools, as we currently are today.

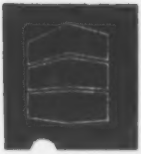
Reauthorization provides the opportunity to simplify the student loan program and to provide greater access but it also provides the opportunity for Congress and the administration to demonstrate their commitment to higher education.

Commitment from Congress and the administration is vital to regaining the confidence in the financial market and ensuring the stability of the program.

By making higher education a reality for more citizens, we invest not only in their future, but in the future of our country as a leader of the world.

I thank you for the opportunity and would welcome any questions you may have.

[The prepared statement of Jeannine Phelan follows:]



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Executive Summary

Written Testimony
Jeannine Phelan, Program Manager
Educational Planning Centers
NSLP-NEBHELP
House Postsecondary Education Field Hearing
University of Nebraska at Kearney
July 15, 1991

NEBHELP, a secondary market, direct lender and loan servicer, and NSLP, a guarantee agency, co-sponsor the Educational Planning Centers which provide a variety of services to educate students and their families about financing higher education.

NEBHELP and NSLP believe the 1991 Reauthorization of the Higher Education Act provides an opportunity to simplify the student loan programs and enhance access to higher education.

We suggest:

Need Analysis

- Simplifying the need analysis forms to make them easier to follow and complete,
- examining ways to simplify the need analysis process for people who are already receiving income maintenance public assistance,
- simplifying the definition of dependent and independent student by eliminating the calculation based on the first year a student received federal financial aid, and
- removing home and business/farm values from the calculation of expected family contribution.

Deferments

- Establishing fewer, broader deferment categories with guidelines for using professional judgement in granting deferments, and
- making the new categories apply to all borrowers, not just those who borrow after the new law is enacted.

Issuing Regulations

- Ensuring the Department of Education issue regulations within the 240 days required by statute.

more

Interest Rates

- Eliminating the 8/10% interest rate structure currently in place for Stafford Student Loans and replace it with an 8%/variable interest rate structure with the variable interest rate not to exceed 10% nor drop below 8%.

Middle Income Families

- Exploring ways to enhance access for middle income families by modifying need analysis, interest subsidies, increased loan limits, and/or repayment options.

Ability-to-Benefit

- Maintaining access to student loan programs for students who have not completed high school or a GED through the ability-to-benefit option, but make sure the program is closely monitored and properly administered.

Special Allowance Payments

- Maintaining Special Allowance Payments to lenders at 3.25%.

Consolidation

- Reauthorizing the loan consolidation program to provide an additional repayment option for students with higher total student loan debt.

Early Awareness

- Increasing emphasis on programs that help students and families become aware of the opportunities and costs of higher education and ways to pay for higher education.

Demonstrate Federal Commitment to Higher Education

- Uncertain support for higher education from both Congress and the Administration has created uncertainty in the marketplace and affected access to credit for students and their families. Reauthorization provides an opportunity for both Congress and the Administration to demonstrate their moral and philosophical as well as financial commitment to higher education.

View Higher Education as a Societal Investment

- Viewing higher education as a solution to societal problems, not a problem itself.

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Written Testimony
Jeannine Phelan, Program Manager
Educational Planning Centers
NSLP-NEBHELP
House Postsecondary Education Field Hearing
University of Nebraska at Kearney
July 15, 1991

The Nebraska Higher Education Loan Program, Inc. (NEBHELP), founded in 1978, is a secondary market, originating lender and servicer for PLUS and SLS loans, and a contract loan servicer. NEBHELP works in the Midwest, primarily Nebraska, Kansas and Minnesota.

The Nebraska Student Loan Program, Inc. (NSLP) is a guarantee agency founded in 1986 to guarantee loans made through the Stafford Student Loan, Supplemental Loan for Students (SLS) and Parent Loan for Students (PLUS) programs. NSLP is the designated guarantor for the state of Nebraska and serves students, lenders, and schools in Kansas and Wyoming as well as Nebraska.

Both organizations hold as their mission making higher education more accessible to people in Nebraska and the Midwest.

The Educational Planning Centers (EPCs) which I manage are a public service co-sponsored by NSLP and NEBHELP. The first EPC opened in Omaha in 1986. We now serve Nebraska students and their families from offices in Omaha, Lincoln and Kearney. The goal of the EPCs is to educate students and their families about the opportunities for higher education and ways to access that education. To achieve that goal, we provide a variety of services including the following:

- **Personal service.** We help students and their families both in-person and by phone with questions about higher education and financial aid. We provide individualized assistance to families to help them complete the needs analysis forms required for entry into the financial aid system.

- **Eligibility estimates.** Using computer programs, we can estimate a student's eligibility for federal financial aid. We have programs for both dependent and independent students.

- **Scholarship search.** We have a database listing several hundred private scholarships. Students can use their own parameters to search this database and select scholarships for which they may be eligible. The database provides information on the scholarships and application instructions.

- **Planning tools.** We have a computer program that includes several applications that help people plan for paying for higher education. These applications include a budgeting program so students who have borrowed can budget student loan repayment into their monthly expenses, loan repayment schedules, and a program that will help parents develop a savings plan while their children are young.

All the EPCs' computer-based services are available at each office or through the mail by using worksheets we have developed to accompany each program.

- **College fairs.** Each year, NSLP and NEBHELP, through the EPCs, sponsor seven College Fairs across the state. Representatives of various colleges exhibit at these fairs to give students and

their families the opportunity to gather information about different options within higher education. EPC staff members make presentations on financial aid at each of these fairs. Combined attendance at the seven fairs is estimated at more than 10,000 students and family members each year.

- **High school programs.** EPC staff members make presentations at educational planning nights - mini-college fairs held at high schools across the state, and at financial aid nights where students, generally seniors, and their parents are invited to learn more about the financial aid process.

- **Entrance and exit counseling.** In cooperation with area schools and colleges, we provide entrance and exit counseling to student borrowers. We have developed materials which meet the federal guidelines for entrance and exit counseling and distribute those materials widely, even to schools where we do not participate in the counseling sessions. Samples of these materials have been provided to Representative Barrett.

All EPC services are provided free to the user as a public service of NSLP and NEBHELP. Our commitment to making higher education more accessible drives us to support these services. We also believe strongly that better informed students make wiser borrowers who are more likely to repay their loans, if a loan is part of the financial aid package.

From September 1989, through August 1990, the EPCs served more than 46,000 people through direct service or informational presentation. From September 1990 through June of this year, the EPCs have already served more than 52,000 people. A volume chart showing volumes for the last five years is attached to this testimony.

In addition to our work with high school students and their families, we have made presentations to parents of junior high students and are cooperating with the Nebraska Association of Student Financial Aid Administrators on an early awareness program designed to educate students as young as the fourth grade about options in higher education.

Reauthorization of the Higher Education Act of 1965 presents a great opportunity. While the Act addresses many aspects of higher education, since NSLP and NEBHELP deal most directly with student loans, I will focus my comments specifically on the student loan program. My comments fall into two broad categories: simplicity and access.

Simplicity

Need Analysis

- **Forms.** Students enter the financial aid system by completing a need analysis form. Currently, there are six different forms used to apply for federal aid. Some have fees associated with them, some are free. The student may have to complete additional forms to apply for state or campus-based aid. We suggest that the forms be designed to accommodate both federal and

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state applications, so that like information can be grouped together and the forms and easier to follow and complete. The overall goal is to reduce the number of forms and make the forms themselves more simple.

- **Use existing need analysis processes.** Congress should consider simplifying the federal financial aid process for applicants is currently receiving public assistance for income maintenance, such as ADC or AFDC. The National Association of Student Financial Aid Administrators (NASFAA) suggests that these applicants be required to complete only a small number of demographic questions on the need analysis form.

- **Simplify the definition of dependent or independent student.** Under current law, veterans, orphans and wards of the court, students with dependent(s) other than a spouse, and students over 24 years old are automatically considered self-supporting or independent. In addition, current law includes a calculation based on the first year the student received federal aid. This calculation becomes more complicated each year. We suggest removing the second provision and determining self-supporting status by the four objective, easily substantiated criteria listed earlier. Financial aid administrators could then use professional judgement to handle any other unusual cases, as they do now. This would simplify the calculation and lessen the possibility of people qualifying for aid because they were able to adjust or refigure their tax returns.

Deferments

Deferments allow a student borrower to delay repaying their loan for a specified period of time if they meet certain criteria. There are currently 15 categories of deferments available to student borrowers. Many of the categories were instituted as part of the 1986 Reauthorization and have not been widely used because the regulations governing that Reauthorization have yet to be issued. The multitude of deferment categories and confusion about which borrowers are eligible for which deferments creates a situation where a borrower may become delinquent or actually default on a loan when they are eligible for a deferment. UNIPAC, our loan servicer, reports that up to a third of the request for deferment forms they receive must be returned to the borrower because they have been completed improperly. The system is also difficult and confusing for lenders and schools to administer.

- **Fewer, broader deferment categories.** We suggest that deferments be granted in only three categories - in-school, unemployment, and hardship. Congress and the Department of Education should issue guidelines upon which schools and lenders can base professional judgement in granting deferments.

- **Eliminate "new borrower" restrictions on deferments.** When new deferment regulations are issued, they should apply to all borrowers, not just those who borrow after the new law is enacted. This will eliminate managing three sets of borrowers - those who borrowed before the 1986 Reauthorization, those who borrowed between the Reauthorizations of 1986 and 1992, and those who borrow after the new law becomes effective. Establishing broader categories and applying those categories to all borrowers would greatly simplify the deferment process.

Testimony of Jeannine Phelan, Program Manager, Education Planning Center, NSLP-NEBHELP

Issue Regulations More Quickly

While the Department of Education (ED) is required by statute to issue regulations within 240 days after Congress enacts legislation or seek an extension, a recent report from the General Accounting Office stated that of 83 regulations reviewed, only 13 were issued within 240 days. According to GAO's report, "Education Regulations, Reasons for Delays in Issuance," (November 1990) an average of 389 days--ranging from 72 to 988 days--were spent to develop the 80 regulations that had been issued at the time of GAO's review.

As we discuss this 1991 Reauthorization of the Higher Education Act, ED has just now received comments on the Notice of Proposed Rulemaking for the 1986 Reauthorization. ED published that NPRM in December 1990. The lack of official guidelines and interpretation of the law creates concern, confusion, and controversy within the industry. ED addresses this confusion by issuing Dear Colleague letters. While Dear Colleague letters were intended to be a temporary stopgap until regulations were issued, they have come to be used as a replacement for regulations even though they are often vague. Interpretations of the Dear Colleague letters varies. The issuance of Dear Colleague letters has become a long and laborious process as well. It is not unusual to wait months for a Dear Colleague.

To add to the confusion, Ed also uses "side letters" to clarify their position on issues. These are letters sent in answer to a request from a specific individual, agency, or company. There are documented cases of side letters giving different interpretations of the same issue depending on who wrote the side letter.

This confusion and lack of timely issuance of regulations complicates program administration and can discourage lenders from participating in the program. We believe that we can operate more efficiently and provide better service to our clients if we're not constantly seeking clarification on regulatory issues.

Interest rates

The current Stafford Loan Program carries an interest rate of 8% through the first four years of repayment, and 10% thereafter. This two-tiered interest rate is difficult to administer. In fact, many lenders don't yet know how they're going to execute the increase to 10% when the first borrower who borrowed under this system go into their fifth year of repayment later this year. Lenders may be placed in the position of rebating very small amounts of money to borrowers-- a process that is costly and difficult for lenders and confusing to borrowers.

We suggest that the interest rate for Stafford Student Loans be placed at 8% through the first four years of repayment, then convert to a variable rate based on treasury bill rates. The rate could cap at 10% and have a floor of 8%. Because the SLS and PLUS programs operate on a variable interest rate, most lenders' systems are set up to handle this type of interest rate structure.

The issues we've raised so far relate to simplifying the processes involved in the financial aid system.

Simplicity facilitates access, and we would like to discuss several issues directly concerned with enhancing access to federal financial aid.

Access

Need Analysis

We support removing the value of homes and business or farm assets from the calculation of expected family contribution in the need analysis process. Families are now allowed to protect retirement funds from the need analysis process. We don't believe families should be expected to liquidate home or business/farm assets and perhaps jeopardize financial stability or earning power to pay for education. We believe protecting home and business/farm assets would significantly impact rural families and make more families eligible for federal financial aid.

Access for Middle Income Families

We support program modifications to increase access to federal financial aid for middle income families and students working to put themselves through school. We do not believe it is coincidence that when middle income families were denied access to the program in the early 1980's, we began to see significant increases in default rates. Opening the program back up to middle income students will enhance access to education and contribute to program stability. We encourage Congress to explore the need analysis process, interest subsidies, increased loans limits on PLUS and SLS, and repayment options as areas that could be modified to increase access for middle income families.

Ability-to-Benefit Students

Some students who have not completed high school or earned a GED can become eligible for federal financial aid if they can show an "ability-to-benefit" from the education they are pursuing. The student must show ability-to-benefit by taking a test approved by ED. We believe Congress should preserve this mode of access to education, but make sure the process is monitored carefully and administered properly.

Special Allowance Payments

Special Allowance Payments (SAPs) to lenders are a perennial topic of discussion when it comes to loan program revisions. Participants in the program contend that if SAPs drop below the current level of 3.25%, lenders will drop out of the program and access will be inhibited. Regulators contend that 3.25% is not a magic number and that SAPs could be reduced or eliminated without affecting access. We encourage the subcommittee to leave SAPs at 3.25%. SAPS do serve as motivation for lenders to participate in a very complex program. We believe SAPs are essential to continued participation and to program stability.

Consolidation

In 1986, Congress established a loan consolidation program to help students deal with the higher costs of loan repayments and to help reduce defaults on federally guaranteed student loans. Under this program, instead of making concurrent payments on several loans over a period usually limited to 10 years, students can consolidate these loans and make smaller monthly payments over 10 to 25 years, depending on the size of the consolidated loan. The program was authorized for six years, through fiscal year 1992. In June 1990, GAO issued a report on the consolidation program that stated "The loan consolidation program has been successful in reducing borrowers' monthly payments, thereby easing their payment burden. . . . In addition, borrowers who consolidated their loans have rarely defaulted--only 107 of 63,000 such borrowers defaulted through September 1988."

We recognize that extended repayment means borrowers pay more interest and usually pay more over the life of the loan. We also recognize that loan consolidation increases costs to the government for interest subsidies. We strongly believe, however, that the defaults prevented through consolidation offset these increased costs. We encourage the subcommittee and Congress to reauthorize the consolidation loan program.

As tuition costs increase, students are forced to borrow more to complete their educations and total student debt increases. We must make it easier for students to repay these loans. Consolidation accomplishes that goal. We also believe that educating borrowers about their options and giving them complete information about the implications of consolidation are important parts of the process. NEBHELP's consolidation program helps each borrower assess their individual situation. We don't encourage consolidation unless it is truly in the best interest of the borrower.

Early Awareness

We support ED's emphasis on early awareness of college costs and options available to pay for higher education. NSLP, NEBHELP, and the EPCs have been working in early awareness for the past five years and continue to be innovators in this area.

In conclusion, we support simplifying the federal financial aid process and enhancing access to education by enhancing access to federal financial aid. We have given several specific recommendations and our opinions on some broad concepts related to simplicity and access.

Events over the past year have increased the attention given to the student loan industry. We believe that such attention and scrutiny from Congress, ED, and participants in the industry itself, including letter of credit providers, results in increased accountability within the industry. We welcome that increased accountability.

Through the reauthorization of the Higher Education Act, Congress must address both its and the Administration's uncertain support for the student loan programs. The persistent uncertainty of the Congress and the Administration has had a dramatic effect on the access to credit for students and their families. For example, lenders who originate loans frequently look to secondary markets

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like NEBHELP to offer liquidity for loans they have made. To provide that liquidity, secondary markets must raise funds by offering to the public an investment with a reasonable rate of return.

The indefinite support of the Administration and the Congress for the basic financial structures currently in place for delivering educational credit has created both the reality and the perception of unreasonable risk and an unknown rate of return. The simple result is that the financial market has opted to dramatically reduce its participation in the fund raising efforts of secondary markets, thereby limiting liquidity for lenders making loans to students and their families.

We recognize that loans are just a piece of the federal financial aid program, but the Guaranteed Student Loan Program is the largest source of federal aid to college students. Recent estimates indicate that commercial lenders finance more than $12 billion in student loans to provide assistance to about five million students annually. According to Joseph Marr Cronin and Sylvia Quarles Simmons in their 1987 book Student Loans: Risks and Realities:

> The U.S. loan program, relying mainly on banks to lend capital and on the government to pay only for subsidies and defaults, is a very productive program. Three or four billion dollar in government money each year generates nine or ten billion in new loan funds. This three-to-one ratio is popular in that Congress can properly take credit for leveraging two new dollars by paying out only one. (O'Neal, 4)

Higher education is a long term investment our society makes in itself. We can measure the return on that investment in some ways by comparing the increased earnings a person who has received higher education to those of a person who has not. Those earnings are taxed, resulting in increased income to the government, as well. As we consider that challenges facing our nation today, however, the greater return on investment may result from those things that we cannot measure: a more enlightened electorate, greater political stability, and people who are better prepared to lead our nation and bring it to a better competitive position in the world.

We ask for Congress' commitment to higher education. We agree with David Kearnes, now Deputy Secretary of Education, who as chairman of the Xerox Corporation said, "Education should not compete with national defense, the trade deficit, drugs or AIDS. Instead, think of it as a solution to those problems."

Testimony of Jeannine Phelan, Program Manager, Education Planning Center, NSLP-NEBHELP

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Chairman WILLIAMS. Thank you.

Ms. Wanda Halvorson, Coordinator of Financial Aid at Nebraska's Methodist College of Nursing and Allied Health.

STATEMENT OF WANDA HALVORSON, PRESIDENT, NEBRASKA ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Ms. HALVORSON. Good morning, Chairman Williams, Congressman Barrett and other distinguished guests and interested parties.

I appreciate the opportunity to speak with you this morning. I am Wanda Halvorson, President of the Nebraska Association of Student Financial Aid Administrators (NeASFAA) and the Financial Aid Coordinator of Nebraska Methodist College of Nursing and Allied Health.

I am here today representing NeASFAA. NeASFAA represents all divisions of institutions in the State of Nebraska, i.e.: 4 year public, 4 year private, 2 year community colleges, and private vocational schools. Our associate members represent members, guarantee agencies and the lender of last resort.

We have been in existence for the past 24 years as an organization. Our main goal is to help students secure their education at the institution of their choice; thus promoting freedom of choice.

I have given the charge of my elected sector representative with the issues at hand. The general consensus of NeASFAA is as follows:

We favor the inclusion of farm assets in the needs analysis. It would seem only equatable if they are dealt with in the same manner as business assets instead of allowing an exemption.

However, in the case of an unusual circumstances relative to those farm assets the authority of the financial aid officer to use professional judgement to exclude those assets should be preserved.

At this point, it is important to note that realistically a single needs analysis for all Title IV aid should be developed.

Currently there are numerous needs analysis. The use of professional judgement may be used on some programs but not on all.

An example, professional judgement can be used on campus based aid but not with the Pell program. This treatment of professional judgement needs to be uniform with all Title IV programs. Thus insuring fair and equitable treatment of awarding aid.

It has been suggested by some that providing technique assistance to schools is a viable alternative to providing financial aid directly to students.

We oppose providing technical assistance to institutions because assistance should be targeted to students, most needy students first.

If a program such as this is implemented, we would want to be assured that these funds do not deflate from the Title IV programs. This would benefit individual institutions and not students, who are the primary beneficiary of any Federal funding programs.

Assistance to institutions would remove the freedom of choice that is so very essential and would remove the foundation on which the Title IV funds were founded. Students would benefit from funding such as this, however, technical assistance would benefit not only students with need, but students without need as well.

The basic tenet of Federal financial assistance is to help those students who can ill afford college education and not subsidize those who can.

With the lack of Federal funding to support current Title IV funds it would seem unrealistic for students to receive additional funds for attending a satellite program. It has been proposed that students in satellite programs should be eligible for the same aid as all other students.

Before this type of concept is implemented, we should determine if these students are paying the same type of tuition and/or fee costs that students in non-satellite programs are paying.

Normally students attending a satellite program will be assessed a reduced cost because they are not at the campus facilities and do not benefit from all campus services that are normally available to students, such as library facilities, food services, direct and daily availability of staff, etc.

It is because of this that students normally receive a reduced cost in their tuition and/or fees.

Since these students may be benefitting from a reduction in cost, it does not seem fair and equitable that they should receive the same percentage of Title IV funds. However, if these students are not receiving a reduced cost in their tuition and/or fees, then they should receive the same percentage of title IV funds.

Providing funding for less than half time students would further dilute the limited funds that are currently available to half and full time students.

We feel it is in the best interest of the students if only half and full time enrolled students are adequately funded before any consideration be given to less than half time enrolled students.

The students must have the free and final choice of what institution they will attend. Funding should go to the student for the choice to remain with that student.

We would hope that during reauthorization that Congress would reevaluate the present regulations as it is felt a financial aid officer, is a police officer, drug enforcement agent, immigration officer, etc.

Not that the financial aid community feels that these aren't worth while efforts by Congress but that the impact that the financial aid officer is having in these areas is so minimal that it does not justify continuance of these policies.

We ask that Congress study the impact of these onerous regulations before allowing them to continue.

I wish to thank you on behalf of myself, and NeASFAA for allowing us time today. NeASFAA would like to offer our assistance to you and your other committee members.

[The prepared statement of Wanda Halvorson follows:]

NEBR METHODIST HOSP TEL No.402-390-4234 Jul 10,91 15:50 No.004 P.02

neasfaa NEBRASKA ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

July 9, 1991

TO: House Postsecondary Education Subcommittee
AT: University of Nebraska - Kearney
BY: Wanda Halvorson, President Nebraska Association of Student Financial Aid Administrators

TO: Congressman Pat Williams
Congressman Bill Barrett

Good morning Congressman Williams, Barrett, other distinguished guests, and interested parties. I appreciate the opportunity to speak with you this morning. I am Wanda Halvorson, President of the Nebraska Association of Student Financial Aid Administrators (NeASFAA) and the Financial Aid Coordinator of Nebraska Methodist College of Nursing and Allied Health. I am here today representing NeASFAA. NeASFAA represents all divisions of institutions in the state of Nebraska; i.e.: four year public, four year private, two year community colleges, and private vocational schools. We have been in existence for the past twenty-four years as an organization. Our main goal is to help students secure their education at the institution of their choice;thus promoting freedom of choice. I have given the charge of my elected sector representive with the issues at hand. The general consensus of NeASFAA is as follows:

A. We favor the inclusion of farm assets in the needs analysis. It would seem only

equatable if they are dealt with in the same manner as business assets instead of allowing an exemption.

However, in the case of unusual circumstances relative to those farm assets the authority of the Financial Aid Officer to use professional judgement to exclude those assets should be preserved.

At this point it is important to note that realistically a single needs analysis for all Title IV aid should be developed.

Currently there are numerous needs analysis. The use of professional judgement may be use on some programs but not on all. An example: profession judgement can be used on campus bases aid but not with the Pell program. This treatment of profession judgement needs to be uniform with all Title IV Programs. Thus insuring fair and equatable treatment of awarding aid.

B. It has been suggested by some that providing technique assistance to schools is a viable alternative to providing financial aid directly to students. We oppose providing technical assistence to institutions because:

1) Assistance should be targeted to the students, most needy students first. If a program such as this is implemented, we would want to be assured that these funds do not deflate from the Title IV programs. This would benefit individual institutions and not students, who are our the primary beneficiary of any federal funding programs.

2) Assistance to institutions would remove the "freedom of choice" that is

so very essential and would remove the foundation on which the Title IV funds were founded. Students would benefit from funding such as this, however, technical assistance would benefit not only students with need, but students without need as well. The basic tenet of federal financial assistance is to help those students who can ill afford college education and not subsidize those who can.

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C. Providing funding for less than half time students would further dilute the limited funds that are currently available to half and full time students.

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The student must have the free and final choice of what institution they will attend. Funding should go to the student for the choice to remain with the student.

We would hope that during re-authorization that Congress would reevaluate the present regulations as it is felt a Financial Aid Officer, is a police officer, drug enforcement agent, Immigration officer, etc.
Not that the Financial Aid community feels that these aren't worth while efforts by congress but that the impact the Financial Aid Officer is having in the areas is so minimal that it does not justify continuance of these policies.

We ask that Congress study the impact of these onerous regulations before allowing them to continue.

I wish to thank you in behalf of myself, and NeASFAA for allowing us time today. NeASFAA would like to offer our assistance to you and your other committee members.

Chairman WILLIAMS. Thank you.

Doctor Hasemeyer, you spent some time in your testimony talking about and expressing appropriate concerns about the student loan default cost.

And you made a very valid point that in the 1970's, the late 1970's I think it was, the grants made up about 80 percent of the financial assistance and loans about 20 percent.

Now the loans make up about two thirds and the grants about one third and the reason that the prior administration was so insistent on that, and the Congress somewhat reluctantly, and I believe mistakenly, went along was because of the budget crunch.

I would prefer to go back, as I think you would, to the time when we had a much closer 50-50 balance, if not even more so weighted towards grants and away from loans.

But you understand, that doesn't save taxpayer money. That spends more of it. Now, you've reduced default costs, probably, but grants never get paid back, so the taxpayer loses that money.

Now, if you were in Congress, Mr. Hasemeyer, they'd call you a big spender.

Mr. HASEMEYER. I'm sure you're right.

Chairman WILLIAMS. But that's what you want us to do, huh?

Mr. HASEMEYER. That, I feel that in rural, in rural Nebraska, rural America, that in order for, to give to our people that opportunity that we are much better off with a grant for these people rather than, in our case, rather than the loan.

Because we, the people, many of the people that we serve presently are people who have had financial difficulty already and we, we're seeing that more and more. We may see it even more so in the next 2 or 3 years.

And with grants, that gives them that opportunity where a loan, I feel, will not give them that opportunity. And if they do get the loan then the next problem is, how are they going to repay it.

Chairman WILLIAMS. Mr. Massey, you make this point in your testimony. Quote, I support increased restrictions or higher standards for admissions if there is a continuing decline in Federal aid, State aid or alumni support.

Do you make that statement on behalf of students at the University of Nebraska at Kearney?

Mr. MASSEY. At Lincoln.

Chairman WILLIAMS. At Lincoln, are they?

Mr. MASSEY. Yes, I do. In fact, with State aid decreasing, which is probably the main supplier of public educational funds, there comes a time when we're giving an education that isn't worth getting.

When you have close to 90 students in one room access, we are not——

Chairman WILLIAMS. Would you have higher standards for admissions just at the University of Nebraska at Lincoln, or would you do it for all?

Mr. MASSEY. This is a discussion that our State has been going over the last few years. I think there needs to be a system that's set up where a whole State is on a level that they know what their goal is and right now I don't think the State of Nebraska really knows what it's goal is at all it's institutions.

We have one research institution, then we have other different avenues. I think that we have to have an opportunity to give everyone the chance for an education.

Chairman WILLIAMS. You've raised an issue with that statement which faces your State and all States. It's not a Federal matter, at least as the majority Members of Congress see it.

We do not want, nor are we anywhere near establishing the standards for admission to your schools.

But the people of this State and my State and the others do have this as an issue, with which you have to wrestle, and how this turns out is going to decide whether your education is inclusive or exclusive.

I once had the Minister of Japan say to me, we are just in the process, the Minister of Japan for Education, Higher Education.

He said, we're just in the process here of establishing a national convention in Japan. We want to change our education system.

I said, change it how. He said, we want it to look more like the American system. I said, really, we're doing the same thing. We want ours to look more like yours.

He said, don't do it. I said, why. He said, in our system the national government, in effect, comes in to the classroom in high school and picks the winners and the losers. We've checked your scores. You can be a surgeon. You can be electronics, and you can go to school. But they don't point at women over there.

You can go to school and be a mathematician or scientist. The rest of you, out.

Now, he said, I understand in America you have a system which is different than that. You look out at all those high school graduates and some who haven't graduated from high school, and say, you want to be a brain surgeon, you all come.

So, we've got to be careful, Mr. Massey, we've got to be careful that we don't exclude the late bloomers by putting a high standards of admission too high. There would be one result.

Our college students would compete better, Mr. Caldwell mentioned this, our college students would compete better on test scores with the Japanese if the Federal Government walked in and only picked the winners, you're going to college, as the Japanese do.

Then we might show up a little better on test scores, but do we really want to do that.

Mr. MASSEY. The reason I put that in there was more on the point to show that there's such a need for money that we're going to have to set a limit to access and that's something that I don't want to do. I don't think anybody, any form of government would ever want to do.

I don't want to go to the Japanese system and I don't think anybody here does. I just want to make sure that we have the quality education for us.

Chairman WILLIAMS. I hear you. Mr. Caldwell, what do you think about that? You represent the students as well, and what do we do? Do we need to, obviously, have appropriately high standards?

Question is, what standard is going to be appropriate? Do you think we ought to tighten down on admission?

Mr. CALDWELL. Well, I think what Mr. Massey's referring to in his statement, which I think was well warranted, is that we want to insure the quality of education.

If we have an institution which is severely underfunded as is the University of Nebraska at Kearney, our admission standards, I feel, admit the majority of students that provide a broad based education to a number of people.

But if continuing aid is going to decline, mandated admissions policies will have to take effect, because we will not have the funding from State or Federal support needed to provide that quality education which we have provided in the past.

I think that is the main concern. I don't think Mr. Massey or myself would like to see the standards put in place to limit our lower income, our minority, or students who have not completed their high school education to receive what they need. But these same individuals can, in college become late bloomers.

So I think we need to as we're concentrating on today, concentrate on our ability to make sure that does not happen.

Chairman WILLIAMS. Also, Mr. Caldwell, this poll that, although it wasn't random, it was a self selecting poll conducted by Chrysler Corporation, I wondered how that came out.

I sent a card in, but I never did find out how it came out.

Seventy, almost 74 percent said education ranked number one, then the economy, then the environment, then crime, legal system, health care.

As a Member of Congress, who knows where we put our money. What happened to defense? Didn't that show up?

Mr. CALDWELL. Well, I think that is a debate that needs to be taken up in Congress. I'm not well informed enough to comment on the correlation between defense spending and education spending.

I think they both have importance.

Chairman WILLIAMS. We spend $30 billion on education, $300 billion on defense.

Mr. CALDWELL. Well, I would say that they are two separate areas and both very important in their own right.

Chairman WILLIAMS. Yeah. I'm a little surprised that didn't show up there. I kind of forget whether it was. Maybe you couldn't pick it on the list. I forget what happened.

Mr. CALDWELL. I would suspect that they are looking at some areas where we have more of a problem than——

Chairman WILLIAMS. Well, lately, when you put it on the list to let Members of Congress pick, they go right to it every time.

Ms. Phelan, the fellow on your right, there, Mr. Caldwell, suggested on behalf of the students that the lenders be required to hold the loans they make and not sell them on to the secondary market. What would the impact of that requirement be?

Ms. PHELAN. Well, I do recommend the secondary market in Nebraska, and although I've not been in financial aid for 10 years, I do know that before secondary markets were even in existence there was an access problem for student loans.

When there was one place to get a guarantee, it just didn't work. So you had to decentralize the guarantees to the current guarantee agency system.

And the laws for regulation were not changed. They still have a set amount of loans that they can have in educational loans. And once they are loaned up, they close shop on their student loans.

So, unfortunately, although it may seem confusing, how loans are sold in the secondary market, it's vital. Which is why our company has taken the lead and we go in to schools, to colleges and talk to graduating students about their options and repayments.

Make sure they understand all the players involved, including secondary markets and guarantee agencies and provide all of the information free of charge.

Chairman WILLIAMS. Thank you. Ms. Halvorson, on behalf of the Association of Student Financial Aid Administrators in this State, a State which has a good many middle income farm families in it, you favor continuing to include assets in the needs analysis and I would bet you that most farmers in this State would disagree with you about that.

Ms. HALVORSON. That's quite possible. The stand that we took is to be able to leave the professional judgement in the hands of the financial aid officer and by doing that, when there is a crises on a farm, for a foreclosure or in many other circumstances, the financial aid officer, through professional judgement, then, can total assets out in the needs analysis.

So, in other words, instead of having equity from the farm it would go back to a zero dollar amount that's figured in the analysis.

Chairman WILLIAMS. Well, that would be a significant amount of discretion to put in the hands of the various financial aid administrators and we have, I think, a rather patchwork quilt of administration, varying from place to place.

And I think Congress would eventually receive great criticism for allowing that to happen.

Ms. HALVORSON. If I might address that, in verbally polling the State Association, what I have found to be throughout the State of Nebraska is that the professional judgement guideline of all colleges in the State are very, very similar.

And it would not seem realistic that this could be, that you'd be—I was very pleased to see that whether students at a 4 year private school or a private vocational school, that the State guidelines were being used by the financial aid office to pull out the assets, if I might use that term.

Chairman WILLIAMS. I'm not sure what this reference is to, but you say, quoting, the student must have the free and final choice of what institution they will attend. Funding should go to the student for the choice to remain with the student.

Well, financial aid assistance does go to the student, and then they decide what school to go to. That's how it works now.

Ms. HALVORSON. That's correct. And if there would be more funding to institutions to go in to more technical assistance for satellite programs and such, the institution that would be receiving those funds would have the benefit of that and all students at that one particular institution would have the benefit, not a student——

For instance, if a student received the aid in the form of a grant and no matter which institution they choose to go to, they would receive the same dollar amount at any of those institutions.

Chairman WILLIAMS. And then, finally, you mentioned your objection and the objection of your colleagues that financial aid officers are being turned in to police officers and drug enforcement agents and immigration officers.

I agree with you and I think your objection is right on the mark. You know, the Congress and President's are understandably concerned that, as you know from all the rhetoric you hear about crime and increased use of drugs, and then over the past couple of sessions of Congress we have put, I think, incorrectly, I voted against doing it, but we have put increased responsibility with financial aid officers to be sure that Federal financial assistance isn't going to certain students in America that might have certain practices.

I'd like to see financial aid officers all across this country just object to being made drug enforcement officers by the Congress of the United States, and by the way, fellows, I'd like to see students across America object strenuously to a law that assumes that too many or a great many students are drug users and that if they are, they should be denied an opportunity for higher education.

In other words, once you use drugs, we're going to put you in a cul-de-sac in America and close down your opportunities to ever get a higher education.

That's what the law does now. And we enforce it through the financial aid officer. I think it's a terrible mistake, but we do it in the name of chest beating and getting tough on crime and getting tough on these druggers.

Well—Mr. Barrett?

Mr. BARRETT. Thank you, Mr. Williams.

Counsel has reminded me that Mr. Goodling, a ranking member on the Education and Labor Committee has introduced an articulation bill and I guess this is directed to you, Bill, Mr. Hasemeyer.

It has two parts, as I understand it. I'm sure you're familiar with it. It grants to second year students of their 4 year academic career, 2 year partnerships to develop articulation agreements.

This involves scholarships, as I understand it, to second year students who then go in to the third, fourth, whatever.

I assume that your association has approved or endorsed this. Is this basically—you're in agreement with it?

Mr. HASEMEYER. Yes.

Mr. BARRETT. Would this, then, help you attract more students to your institution?

Mr. HASEMEYER. Right. See, one of the problems with the 2 year/4 year was trying to transfer from a 2 year to a 4 year.

Now, that was, at one time, really difficult. Today that is not as difficult as it used to be, and it's getting better in this State every day and I think that with that, it would certainly help.

We would hope that, and I think we have seen, because of the traditional, non-traditional, it gets to the point in some of our institutions where I'm not so sure that what we call our traditional students are traditional students.

Mr. BARRETT. Some may say that a non-traditional student from a community college is from Mars.

Thank you. Bill. I'm particularly pleased with the testimony from the two student regents here. This means a great deal to me.

The written testimony is excellent and your answers to the questions earlier posed were, I think, excellent as well.

I guess just an observation, Andy, you go to Nebraska breakfast in Washington, DC at 8 o'clock in the morning. Are you going to feel it?

Mr. MASSEY. I don't think I'm going to make it, actually. I got a plane ticket early tomorrow. I couldn't get one tonight so I have to go early in the morning.

Mr. BARRETT. Is that right?

Mr. MASSEY. So I'm happy to go next week.

Mr. BARRETT. Is Congressman Bereuter aware of that?

Mr. MASSEY. He's aware of that and has given me leave for this weekend.

Mr. BARRETT. If he wasn't aware of it, he should have been aware of it.

Thanks, Andy. Glad to have your testimony and I, too, appreciated Bob's talking about the Chrysler Corporation poll.

Although I did not return to the card, and I appreciate his comments.

Ms. Phelan, I particularly appreciated your reference to simplicity and access. This has come through loud and clear today. And it came through loud and clear on Saturday in Montana.

There's no question about that's one of the major problems to be addressed in the reauthorization.

You mentioned, also, the elimination of the homes and the farms in terms of eligibility and in your position I think we might also be able to address the subject of the small businessman.

We have talked repeatedly about the farms and the homes. I'm a businessman. What about my business assets. I've had people talk to me about, "you're doing this for the farmer. Nobody's doing anything for me, as a businessperson."

What about that?

Ms. PHELAN. That was included in the written and verbal testimony, but I wanted to take all three out. Home, the farm and the business.

Because that's what I see repeatedly in the audits, over the last 5 years of helping families complete the applications, I can usually estimate their eligibility and often times it's the homes and business or the farm equity that makes them ineligible.

But that doesn't always mean that that equity is available to help pay for college education. Should you sell the farm, should you sell the business, to put your child through school. I think not.

Mr. BARRETT. All right. Thank you. Ms. Halvorson, would you agree with that?

Ms. HALVORSON. I agree if there are circumstances for those assets to be pulled out and it should be all assets, not just one in particular.

There again, I would stress that we might leave that up to each level of the financial aid officer to accept the application and then at that point, with documentation, delete those assets from the needs analysis.

Mr. BARRETT. So you would approve of it, with conditions?

Ms. HALVORSON. That is correct, sir.

Mr. BARRETT. You mentioned in your testimony that you would like additional flexibility in determining family income in your position as a financial aid officer.

Is there an inherent danger of too much flexibility. Might one day a financial aid officer be liable for claims made by a student or by an institution, it'd be a lot of responsibility. Additional responsibility.

Ms. HALVORSON. I'd like to address this on two parts. The first part being that the financial aid officer is very detailed. By detailed I mean, with documentation and back ups, why we're doing what we're doing and signed statements from the students and parents, if a parent is involved, to back up why we're doing what we're doing.

The other part being possibly too much flexibility in the financial aid office. May I say I think a perfect example to use as a practice would be when there was a period of time when Pell grants, it was left up the financial aid officer at that time to be able to use professional judgement and you, in the statistics which I never did seem to find, it was found that financial aid officers, the total dollar amount was much, much less than the government ever anticipated it to be.

And because I feel, it's only my own personal opinion, that the financial aid officers, at least in our State, are a very conscientious group and often may just be very detailed and very cautious, we still are of the opinion that we are here to help the student or students are our number one priority and education is a very strong priority.

Mr. BARRETT. If it's not a particular problem here, and you're intimating it could be a problem elsewhere——

Ms. HALVORSON. In the Pell program, when that flexibility was there, it was not a problem.

Mr. BARRETT. It was not.

Ms. HALVORSON. It was not.

Mr. BARRETT. And this doesn't pose a particular problem to you?

Ms. HALVORSON. I don't feel so.

Mr. BARRETT. With, perhaps, safeguards in it. Okay, thanks. Thank you, Ms. Halvorson.

Chairman WILLIAMS. Thanks to each member of this panel. We appreciate your being with us.

I ask the two members of our third and final panel this morning, Doctor Smallfoot and Ms. Collin, if you'd come forward and be seated.

Let the record show that the Congressman's daughter, Jane, has come by. Now you know, see, this is the trouble with being in Congress. Want to meet your daughter, you have to do it in the middle of a hearing.

Doctor Robert Smallfoot, President of McCook Community College. Doctor, thanks for being with us.

STATEMENT OF ROBERT G. SMALLFOOT, PRESIDENT, MCCOOK COMMUNITY COLLEGE, MEMBER OF THE AACJC

Mr. SMALLFOOT. Congressman Williams, Congressman Barrett, ladies and gentlemen, I represent McCook Community College, a college of the Mid-Plains Community College Area.

If that name sounds familiar I heard it from Doctor Hasemeyer. The Area has a population base of slightly less than 95,000 people in 18 counties that span from the Kansas border to the South Dakota border and covers 20,000 plus square miles.

McCook, a community of 8,000 people, serves seven counties in southwest Nebraska. During the 1991 school year, MCC enrolled 442 full-time students and slight more than 1,000 part-time students. We are truly a small rural community college.

Thank you for asking me to testify on the reauthorization of the Higher Education Act. MCC and the community of McCook appreciate your attention to our concerns.

We believe that our students are different from urban students. Not better, just different.

Our students come from different social environments than do urban students, and those environments have different problems.

Many claim that there is a crises in rural America. We believe that community colleges must be a part of the solution to that crises. A portion of the solution can be found in service to our students.

We serve students who have had fewer than ten graduates in their high school graduating class. The largest high school in our service area had 116 graduates in May. Students from classes of that size see life differently than those from urban communities.

What do they need from higher education? In many ways, they need the same things that all community college students need.

They need access, low cost, quality learning experiences, to have their goals challenged and expended, and they need to be encouraged.

But they also need to have their rural lifestyle affirmed. They need to hear that there is value in rural communities and that it is OK to remain a part of rural America to earn a living, build families, and raise their children.

Their communities need them to invest in the future of rural America by their continued living in those communities in their State.

I'd like to cut to the highlight of reauthorization, but I offer you on behalf of McCook Community College.

We recommend that the Federal Government take on part of the support and encouragement of those agencies seeking solutions to the crises in America, in particular the crises in rural America.

In regard to financial aid, I have just a couple of suggestions. In addition to continuing the Pell Grants and considering the increase of Pell Grant amounts, MCC would go along with those grants.

We also suggest that the Stafford Loan Program, in some way, be expanded to middle income class families. Our suggestion was that Federal equal employment contributions be allowed in the Stafford Loan Program.

We recommend the funding for college work study be increased. We urge that the Federal Government itself fund the mechanism to promote access to higher education and I encourage cooperation and coordination between institutions of higher education.

Rural community college education could be offered to urban students to escape the stressful urban environment.

We believe there's a possible solution involving a combination of student resources, family resources and State resources, Federal resources and the private sector resources to make it work.

Small rural community colleges can be part of the solution.

We also recommend cooperation and coordination with the key components of the Higher Education Act. We hope the masters of rural higher education will be moved by it and we in the small rural community colleges, we serve many masters.

Whether it's State government, Federal Government, local government. We hope that there'd be cooperation and coordination so that we can all set about the needs of serving rural needs and rural students.

Again, thank you for the opportunity to be with you today.

[The prepared statement of Robert G. Smallfoot follows:]

TESTIMONY

to the

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

of the

EDUCATION AND LABOR COMMITTEE

UNITED STATES HOUSE OF REPRESENTATIVES

for

THE STUDENTS OF

McCook Community College

by

Dr. Robert G. Smallfoot

President, McCook Community College

Member of the AACJC

July 15, 1991

Mr. Chairman, I am Bob Smallfoot, president of McCook Community College, a college of the Mid-Plains Community College Area. The Area has a population base of slightly less than 95,000 people in 18 counties that span from the Kansas border to the South Dakota border and cover 20,500 square miles. McCook, a community of 8000 people, serves seven counties in southwest Nebraska. During the 1990-91 school year, MCC enrolled 442 full-time students and more than 1000 part-time students.

Thank-you for asking me to testify on the reauthorization of the Higher Education Act. MCC and the community of McCook appreciate your attention to our concerns. We believe that our students are different from urban students - not better, just different! MCC's students come from different social environments than do urban students, and those environments have different problems than those found in urban communities. Many claim that there is a crisis in rural America. We believe that community colleges must be a part of the solution to that crisis. A portion of the solution can be found in service to our students.

We serve students who have had fewer than ten graduates in their high

school graduating classes. These students see life differently than those from urban communities. What do they need from higher education? In many ways, they need the same things that all community college students need. They need access, they need low cost, they need quality learning experiences, they need to have their goals challenged and expanded, and they need to be encouraged. But, they also need to have their rural lifestyle affirmed. They need to hear that there is value in rural communities and that it is OK to remain a part of rural America to earn a living, build families, and raise their children. Their communities need them to invest in the future of rural America by their continued living in their communities and their state.

What does a rural community college have to offer? We live the rural lifestyle. We share it with our students. Our communities value their colleges and are, as one community college president has said, "suicidally loyal to the College." We have strength of heart - from our students, to our faculty and staff, to our Board, to the people that support us. While strength of heart is the American way and will carry us through many a crisis, it will not always sustain the rural community college. Just as our communities need citizens, we need students. It is paradoxical, but we need an adequate number of students in order to justify the cost of serving those students. Small increases in our student populations would

change the economy of scale from one of threat to one of opportunity. One of our challenges is to find a sufficient number of students to justify the cost of serving those students. Where do MCC's students come from?

Eighty percent of MCC's full-time students come to us immediately after high school. Current projections are that the number of high school graduates in our service area are to remain stable. With the number of our traditional students remaining stable, the other twenty percent of MCC's enrollment will come from full-time students and part-time non-traditional students. These students currently comprise a high percentage of not only our student population but a relatively high percentage of our total citizen base. Growth from outside our service/ support area appears to be our most likely possibility.

Our student population is not unlike that of most community colleges across this great country. The average age approaches thirty years. Many of the students are female heads of households. We serve the working "poor;" people who desire to improve themselves, their lifestyle and the level of support that they can provide for their families. Like most community colleges, MCC serves students who have educational goals quite different from that of earning a degree. Some students attend MCC to gain the knowledge and skills available from one class. Then, they leave us until they need additional skills and knowledge. Other students have more

complex learning needs which they meet through a combination of classes taken in one semester or over a period of time, but still involve less than a degree program. Community colleges meet learning needs, not necessarily their commonly perceived need to grant degrees. Students living in our communities will enter and re-enter and re-enter colleges like MCC throughout the rest of their lives. Community colleges are the institutions of higher education that meet the needs of students, individually and collectively as community.

However, many of our students do come to us to begin their quest of a degree. Degrees are sought in both vocational and academic areas. In both instances, community colleges serve their students well. MCC and its sister community colleges have a tradition of successful transfer of credits to four-year colleges and universities. This tradition of success is essential as we serve as the bridge from rural communities to the universities of our great land. Often times, those universities are found in the urban centers of present society. The resulting blend of lifestyles offers rural students the opportunity to assimilate the strengths of both "cultures." Rural community colleges, like MCC, provide an essential service to this group of students from rural America. We offer them quality learning experiences while preparing them for the university experience. Our track record speaks for itself. MCC's students transfer their credits to other

institutions of higher education and succeed in their courses at those institutions.

Access has been a major concern of the Federal government as it has considered its place in providing higher education to various parts of this country. Financial aid is vitally important to students as they access McCook Community College.

Before I continue with the general topic of financial aid, I must say that we believe McCook Community College is unique because of the financial aid package it is able to provide for its students. In addition to Pell Grants, Stafford Loans, and College Work Study monies, we have tremendous private sector support for MCC's financial aid program. In fall 1990, we were able to assist 92 percent of our full-time students with at least one form of financial aid. The strength of the financial support is magnified by the low cost of attending our College. The cost of attending MCC for one year is presently estimated to be $ 4,730.00. This figure includes tuition, fees, books, room and board. The magnitude of the financial aid package coupled with the relatively low cost may affect one's perceptions regarding Federal Financial Aid. In light of these figures, may I share our suggestions regarding the Federal Financial Aid package.

The current formula takes into consideration family income. While this might be more appropriate for the traditional than the non-traditional student, it is

a necessary consideration. One change we would recommend in the formula is to allow students to borrow, through the Stafford Loan program, an amount less than or equal to the family contribution. We find that students, quite often "middle class" students, do not have access to the amount determined as their family contribution. We also believe that these students and their families would be an excellent credit risk and would be more likely to pay-back their loan than many of the current students borrowing under the Stafford Loan program.

Pell Grants provided $ 408,675.00 to 313 MCC students during the 1990-91 school year. This is greatly appreciated by and essential to the students who received this support. With the interest regarding Stafford Loans and some of the suggestions for improving that program, we ask if the Federal intent is to shift support from the grants to the loans. Hopefully, this is not the case!

College Work Study funding is appreciated and heavily utitilized at McCook Community College. If there is such a thing as a "double win," this aid can be called a quadruple win. Students win twice when they receive College Work Study monies. First, they receive assistance to pay for their college education. Second, they earn their assistance. Not only do they earn their paycheck, they experience all the positive values that come with a job, especially if that job is designed to enhance their work ethic and encourage them to become a productive

part of whatever work place they might join in the future. The third winner with Work Study monies is the college employee who receives the labor of the student employed by the money. Small rural community colleges are long on heart but short on staff. Student employees enhance the professional employee's value by helping to keep their professional expertise focused on the crucial demands of their position. The fourth winner with Work Study monies is the College which gains the student worker and the assisted professional as a more efficient work force. Thus, we recommend that, because of the multiple wins provided, College Work Study funding be considered for an increase.

If the purpose of Federal Financial Aid is to maintain equity in access to higher education, then please keep that foremost as decisions are made. Is there a cooperative solution involving a combination of student resources, community resources, state resources, Federal resources, and private sector resources which will make it "work"? Let's find a system of investing in higher education that will work and not give small rural community colleges an undeserved "bad name," as has happened with Stafford Loans. Access is the issue ... small, rural community colleges can be part of the solution!

McCook, Nebraska and its college, McCook Community College, would like to be part of the solution to the challenges and crises that face the Federal

government in funding higher education and the challenges and crises that face rural America and its small colleges. We offer a pilot project which would address the concerns mentioned in this testimony. We propose an "Exchange Program" of sorts. We would like to offer rural community college education, with all that it entails, to urban students capable of success in such an environment. The opportunities to the students are obvious; the opportunities to the community and College are equally obvious. However, as with any new program, the obvious is only the tip of the iceberg. We would welcome the opportunity to test the theory and discover the obscure.

In brief, we ask the Federal Government to develop a mechanism which would promote access to higher education by encouraging cooperation and coordination between institutions of higher education. Some community colleges, like Miami Dade, are challenged by overcrowding. Some community colleges are challenged by the economy of scale caused by small enrollments. These are problems of over-access and under-access. Can we benefit our country by an exchange of problems? Will urban students attend a small, rural college? Would the Federal Government invest in such an experiment?

On a somewhat different note, what is the Federal role in higher education? As I ponder this question, I think back over fifteen years of service to higher

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education, predominately community college experience and all of it service to rural America. It seems that those of us in higher education serve many masters: students, citizens, local governing boards, state legislators, and the Federal government. Sometimes these masters place us in the awkward position of having to serve two or more of them that have different goals or plans. I hope that cooperation and coordination are key components of the Higher Education Act of 1991. I hope that we look toward unifying the "masters" of rural higher education so that we can set about serving the needs of rural communities and rural students.

I hope that we remember that Community Colleges are a part of higher education; a part that happens to serve vocational interests and adult students, as well as prepare students for academic transfer to other institutions of higher education, the four-year colleges and universities. Community Colleges have a strong tradition of providing three major areas of service. These are (1) academic transfer, (2) vocational-technical training, and (3) community services. While I am pleased to see an Office of Vocational and Adult Education and Community Colleges proposed for the Department of Education, I hope that community colleges are appropriately placed in that office. I would ask that the office be named the Office of Community College, Vocational, and Adult Education. It should include but not be limited to the three functions noted above:

Mr. WILLIAMS. [presiding] Thank you.

Ms. Connie Collin, President of Spencer School of Business at Grand Island. I came down in to Nebraska yesterday, we came down through Grand Island, so we were fairly close to you and I appreciate your coming over to be with us today.

STATEMENT OF CONNIE COLLIN, DIRECTOR, SPENCER SCHOOL OF BUSINESS, REPRESENTING THE NEBRASKA COUNCIL OF PRIVATE POSTSECONDARY CAREER SCHOOLS

Ms. COLLIN. Thank you very much. Representative Barrett, Representative Williams, and members of the Subcommittee on Postsecondary Education, good morning.

My name is Connie Collin, Director of Spencer School of Business in Grand Island, and past president of the Nebraska Council of Private Postsecondary Career Schools.

I am speaking to you today on behalf of the Council as well as the Association of Independent Colleges and Schools, and National Association of Trade and Technical Schools. I appreciate very much having the opportunity to share the Council's views on such an important matter.

Career schools in Nebraska offer a wide range of training opportunities. Careers in the areas of accounting, secretarial, medical and dental assistants, computer programmers, paralegals, automotive and electronics only scratch the surface of our offerings.

Nebraska's career colleges pride themselves in delivering the highest quality of education possible.

Who are the students enrolled in our colleges. Seventy-five percent of the students enrolled in career colleges are from rural Nebraska. Career colleges, as a group, personally visit every high school across the State of Nebraska. That entails a total of over 360 high schools.

Homes are visited and regional open houses are scheduled to accommodate the students and families of rural Nebraska.

Nebraska Career Colleges train a high percentage of students who come from middle income families. Incomes that range from $15,000 to $50,000.

This population represents students who either do not qualify for Pell grants or who qualify for only a partial Pell Grant.

For example, of students attending Spencer School of Business during the 1989–90 award year, only 30 percent, 36 percent of total Pell recipients received full grants. Thirty percent of the students were not even eligible for a Pell Grant.

Simply stated, the majority of the career college students in Nebraska rely on student loans as a means of financing their education.

For the past 6 years the Nebraska Council of Private Postsecondary Career Schools has sponsored a scholarship program. In 1991 $75,000 of full tuition remission scholarships were offered to prospective students.

At the award ceremony, State Senator Ron Withem, Chairman of the Education Committee, was the main speaker and presenter. Senator Withem publicly applauded the program and the Career Council for their sponsorship of the program and the significant

role it's member schools play in fulfilling the educational needs of Nebraskans.

Career schools have the ability to assist businesses in updating their current work force to maintain a competitive edge and remain abreast of the latest technologies. Specialized seminars and individualized training workshops are quickly adapted to the specific needs of a particular business.

The training a student receives from a Nebraska career college gives the graduate the opportunity to go back to their home town community. Many choose to return to their home town and to keep Nebraska talent in the State.

Career colleges have developed a solid reputation with employers across the State. Among the major employers are Union Pacific, Xerox, Immanuel Medical Center, Peter Kiewitt and Sons, N. P. Dodge, Mutual of Omaha, Conagra, Principal Financial Group, and rural medical facilities.

Placement rates in the upper 90th percentile abound throughout our institutions. Lifetime employment assistance services are available to graduates of Nebraska's proprietary colleges.

Nebraska Career Schools have built an outstanding relationship with the State Legislature and State Department of Education. Proprietary schools are the only postsecondary educational institutions in Nebraska who are regulated by State statute.

Career schools have also maintained representation on Postsecondary Coordinators Commissions and have been actively involved in the restructuring of postsecondary education which is currently happening in Nebraska.

Several career school presidents and directors are members of the Advisory Council for Private Career Schools in the State.

The Council recently completed the formidable task of rewriting State statutes. This process was not mandated. It was done to insure that quality education will continue in Nebraska.

Stricter regulations were implemented to protect the students and consumers of the State from the so called make a fast buck type schools who may want to operate in Nebraska.

The legal counsel stated that that advisory counsel, at this point, worked closely together and acknowledged their willingness to scrutinize current law to the extent of making changes that would impose tougher regulations on themselves.

In fact, Nebraska was the first State in the Nation to enact consumer protection laws at the State level.

Career schools in Nebraska have a cumulative default rate of 15 percent. Although this rate is significantly lower than national averages, the Private Postsecondary Career Council is working hard to lower the default rate to 11 percent by July 1993.

Specialized retention programs and improved tracking after graduation have been identified as two critical areas to further lower the default rate.

I would like to close by reiterating a few points emphasized by Stephen Blair, President of NATTS, when he testified before your subcommittee.

Private career colleges and schools are an important element in the education of the American workforce. They provide the type of

job specific technical education that American businesses demand and our economy needs to remain in the global marketplace.

We urge Congress to remember that Federal student aid programs must continue to foster the great diversity of opportunities that our pluralistic system of postsecondary education offers today.

Many career specific educational programs do not require 1 year of schooling, let alone 4. And many students simply cannot afford to be out of the work force for a long period of time. It would be counterproductive to make it more difficult for these students to participate in the program that is truly the best for them.

For 25 years, the Higher Education Act has opened doors for opportunities for millions of Americans. The important decision you make in the months ahead should ensure that those doors remain open for the next generation of students and they should help build the word class work force our economy needs to thrive in the 1990's and beyond.

Thank you, and I invite you, if you are ever in the area of Grand Island, or where there's a career college in Nebraska, to stop in. We would love to have you as a guest.

[The prepared statement of Connie Collin follows:]

TESTIMONY OF

CONNIE COLLIN, DIRECTOR

SPENCER SCHOOL OF BUSINESS

REPRESENTING

NEBRASKA COUNCIL OF PRIVATE POSTSECONDARY CAREER SCHOOLS

MONDAY, JULY 15, 1991

KEARNEY, NEBRASKA

Representative Barrett, Representative Williams and members of the Subcommittee on Postsecondary Education and Labor, Good Morning. My name is Connie Collins. I am Director of Spencer School of Business in Grand Island and past president of the Nebraska Council of Private Postsecondary Career Schools. I am speaking to you today on behalf of the Council as well as the Association of Independent Colleges and Schools and National Association of Trade and Technical Schools. Most of our member schools are both state and nationally accredited. National accreditation falls under the jurisdiction of either AICS or NATTS. A proposed merger will unite the AICS and NATTS membership associations on August 1 under the proposed name, Career College Association. I appreciate very much having the opportunity to share the Council's views on such an important matter.

First, let me express my thanks and gratitude to you for holding a field hearing on the Higher Education Act in Nebraska. Our state has a strong commitment to postsecondary education and we look forward to a future that is equally strong in preparing individuals for solid, productive careers.

Career schools in Nebraska offer a wide range of training opportunities. Careers in the areas of accounting, secretarial, medical and dental assistants, computer programmers, paralegals, automotive and electronics only scratch the surface of our offerings. Among the career colleges in Nebraska are Universal Technical Institute, Gateway Electronics, Omaha College of Health Careers, Lincoln School of Commerce, Nebraska Business College, and Spencer School of Business. Nebraska career colleges pride themselves in delivering the highest quality of education possible. Please allow me to explain.

Who are the students enrolled in our colleges? Students are

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predominately from rural Nebraska. Seventy-five percent of students enrolled in Career Colleges are from rural Nebraska. Career colleges as a group personally visit every high school across the state of Nebraska--that entails a total of over 360 high schools. Home visits and regional open houses are scheduled to accommodate the students and families of rural Nebraska.

Nebraska Career Colleges train a high percentage of students who come from middle income families--incomes that range from $15,000 to $50,000. This population represents students who either do not qualify for Pell grants or who qualify for only a partial Pell grant. For example, of students attending Spencer School of Business during the 1989-90 award year, only 36% of total Pell recipients received full Pell grants. Thirty percent of the students were not even eligible for a Pell grant. Simply stated--the majority of career college students in Nebraska rely on student loans as a means of financing their education.

Career schools throughout Nebraska have established a precedence of giving something back to their communities. First, education is our business. We contribute to tax rolls through property, personal property, and income tax.

For the past six years the Nebraska Council of Private Postsecondary Career Schools has sponsored a scholarship program. In 1991, $75,000 of full tuition remission scholarships were offered to prospective students. At the award ceremony, State Senator Ron Withem, chairman of the Education Committee, was the main speaker and presenter. Senator Withem publicly applauded the program and the Career Council for their sponsorship of the program and the significant role its member schools play in fulfilling the educational needs of Nebraskans.

Business-Educati... Partnerships are prevalent throughout our institutions. Career schools work closely with Nebraska businesses through programs such as work experience, student externships, institutional placement services, advisory councils and enhancing the available labor force by providing students for part-time positions.

Career schools have the ability to assist businesses in updating their current work force to maintain a competitive edge and remain abreast of the latest technology. Specialized seminars and individualized training workshops are quickly adapted to the specific needs of a particular business.

The training a student received from a Nebraska career college gives the graduate the opportunity to go back into their home town community. Our graduates do not have to relocate to a large population center to obtain employment. Many choose to return to their home town which keeps Nebraska talent in the state. Career colleges have developed a solid reputation with employers across that state. Among the major employers are Union Pacific, Xerox, Immanual Medical Center, Peter Kiewitt & Sons, H. P. Dodge, Mutual of Omaha, Conagra, Principal Financial Group, and rural medical facilities, too numerous to mention. Placement rates in the upper 90 percentile abound throughout our institutions. Lifetime employment assistance services are available to graduates of Nebraska's proprietary colleges.

Nebraska career schools clearly understand and appreciate the free enterprise system. If we, as educators do not produce a quality product, we won't have students coming in.

Nebraska Career Schools have built an outstanding relationship with the State Legislature and State Department of Education. Proprietary school

are the only postsecondary educational institutions in Nebraska who are regulated by state statute. Career schools have also maintained representation on the Postsecondary Coordinators Commission and have been actively involved in the restructuring of postsecondary education which is currently happening in Nebraska. Several career school presidents and directors are member of the Advisory Council for Private Career Schools in Nebraska. This Council works closely with Mr. Ipke Udofia and other state officials. The Council recently completed the formidable task of rewriting state statues. This process was not mandated. It was done to insure that quality education will continue in Nebraska. Stricter regulations were implemented to protect the students and consumers of the State from the so-called "make a fast-buck" type schools who may want to operate in Nebraska. The legal counsel to the state publicly commended the Advisory Council at a hearing before the State Board of Education stating that he "had never had the privilege of working with such a committed group who take their positions seriously." He further stated that the Advisory Council had displayed the ability to work closely together and their willingness to scrutinize current law to the extent of making changes that would impose tougher regulations on themselves. In fact, Nebraska was the first state in the nation to enact the consumer protection laws at the state level.

Career schools in Nebraska have a cumulative default rate of 15 percent. Although this rate is significantly lower than national averages, the Private Postsecondary Career Council is working hard to lower the default rate to 11 percent by July, 1993. Specialized retention program and improved tracking after graduation have been identified as two critical areas to further lower the default rate. In fact, a Nebraska school,

Universal Technical Institute has developed a default prevention program which has received national recognition as being one of the most assertive in the country.

Nebraska's proprietary sector does not settle for the status quo; we're refreshingly different. We work closely together. Default rates are far below the national average. We have developed an outstanding working relationship with state government. We take our responsibility to maintain quality education throughout the state of Nebraska seriously.

I would like to close by reiterating a few points emphasized by Stephen Blair, President of NATTS when he testified before your subcommittee.

We believe the changes Congress makes in the financial aid program must recognize the vital role financial aid plays in determining the quality of the nation's workforce. Congress should also recognize the impact they will have on giving millions of Americans the chance to achieve the American dream.

Private career colleges and schools are an important element in the education of the American workforce. They provide the type of job-specific, technical education that American businesses demand and our economy needs to remain in the global marketplace.

We urge Congress to remember that federal student aid programs must continue to foster the great diversity of opportunities that our pluralistic system of postsecondary education offers today. Many career-specific educational programs do not require one year of schooling, let alone four. And many students simply cannot afford to be out of the workforce for a long period of time. It would be counterproductive to make it more difficult for these students to participate in the program that is truly the best for them.

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For 25 years, the Higher Education Act has opened doors for opportunities for millions of Americans. The important decision you make in the months ahead should ensure that those doors remain open for the next generation of students. And they should help build the world-class workforce our economy needs to thrive in the 1990s and beyond.

Thank you.

Chairman WILLIAMS. [presiding] Thank you.

Doctor Smallfoot, in your testimony you encouraged the Federal Government and Congress to continue to promote access to higher education by encouraging, in your words, cooperation and coordination, between the institutions of higher education.

That's good advice. Under Chairman Bill Ford we have been taking it, in the last Congress we passed, as you know, the Tech Prep program and Doctor Hasemeyer mentioned it in his testimony.

Do you have any specific recommendations in mind as legislation, do you know about, to further encourage this type of coordination or cooperation? Anything specific that you would suggest?

I think Tech Prep, that program went a long way. Are there any other things?

Mr. SMALLFOOT. We're working to implement and establish Tech Prep locations at our vocational campus in North Platte is working in a Tech Prep program.

Our campus is predominately academic transfers to service programs and we're working what we're calling two plus two, working with local high schools and establishing fiber optics courses, etcetera.

Chairman WILLIAMS. Ms. Collin, the Congress, as you know, has recognized now for a long time the fact that it will take all kinds of education institutions, including proprietary trade schools, if you will, in order to satisfy all of the needs of United States and its students.

And following advice from such people as Ms. Halvorson, our witness on our last panel, we provide the money directly to the students and then we let them choose which schools they'll go to.

And some of them will choose to go to Harvard, some of them will choose to go to the Spencer School of Business, some of them will choose to go to McCook.

And that's probably how I'd be. Now, what we discovered, as your industry knows, and has faced very frankly, what we've discovered over the past number of years is that because we moved away from giving low income students grants, rather made them take out loans, we found that so many of those students chose to spend that money in the proprietary sector at trade schools that the default rate of students attending trade schools was much greater than the default rate of students attending any of the other institutions of postsecondary education.

And the Congress, I hope folks know this, the Congress moved in the last two Congresses, the last 4 years, moved dramatically, and I think with great success to stem the hemorrhaging caused by defaults.

We have in this committee, saved, during the past two Congresses, for a multi-year period, 3 or 4 years, we've saved $2 billion, we estimate, and that may be a low estimate, is default costs, and the proprietary sector has helped us a great deal in trying to achieve that. So I want to note that for the record.

Five million students in America get approximately $12 billion in loans now.

You understand how it works, the loans don't come from the Federal Government, only the guarantee comes from the Federal Government.

So, of course, a higher percentage of the Federal Government's cost is going to be in paying off defaulted loans. Because that's the business we're in. We guarantee the loans. The ones that don't get paid off, we pay off.

We don't loan the money. The private sector loans the money. We just guarantee the loan.

Now, this year we'll spend about $6 billion in Federal funds in administering loans, paying to support the system, providing the allowances for the cost that the financial institutions incur and guaranteeing the loans. We'll spend about $6 billion.

And as Congressman Barrett has pointed out, about two point seven billion of that will be just to pay off the whole history of default costs, through all the years.

Now, $2.7 billion out of a $6 billion cost sounds like a lot of money and, it sounds like a high percentage of it. But that $2.7 billion is the entire cost of all defaults throughout the history of the program.

We just show it each year as part of the percentage of our full cost.

Because of the efforts that this subcommittee has made in trying to ratchet down the criteria for receiving loans about, I think before we're done, about seven hundred schools in the proprietary sector are going to find themselves right on the cusp of bankruptcy or will have closed down.

Now, unfortunately, there are some good schools that are going under, but in this time of high deficit and difficulty in defining dollars to appropriate for education we felt it was necessary and the taxpayers demanded that the Congress tighten up the criteria for getting student aid.

It isn't just, we should note, the proprietary sector that has found that their students have less access to school. Both private and public educators have found that because of the very strict changes the Congress has made over the past 48 months that access to student loans has been significantly reduced, particularly for low income students or students who did not graduate from high school before they tried to get a loan.

And when I was talking with our two students earlier and mentioning to them that America had a choice as to whether postsecondary education going to be exclusive or is it going to be inclusive.

Well, the Congress in the last few years has said it's going to be more and more exclusive for certain students. Those are low income, high risk students.

I'm not sure that's the direction America ought to be going. We really ought to examine that among ourselves, but it is the direction in this time of great deficit and disagreement with taxes that, in regard to where the taxpayer seems to want to go, at least for a while.

I commend people in community colleges and the trade school sector for bearing with us as we, as we have, I hope you understand that somewhat strict in limiting access to loans for the very students that come to your schools.

Mr. Barrett?

Mr. BARRETT. Thank you, Mr. Chairman.

Doctor Smallfoot, your testimony on page eight, and I was intrigued by, I thought what might be considered a very innovative idea.

You proposed an exchange program, You'd like all urban students to attend a rural community college to better understand the quality of education at rural schools.

It seems to me that this is an excellent outreach idea. Perhaps something that'll exposed for the advantages of living in rural areas, but I'm sure that you're aware, particularly that the Federal Government does not involve itself in exchange programs of this kind except perhaps at the secondary level.

Are you suggesting that here, perhaps, something that we ought to consider in terms of new bureau, agency, or whatever?

Mr. SMALLFOOT. I don't think the suggestion was at that level at this point. The suggestion made it's way in here just visiting as a result of testimony today.

Some of the coffee shop work at McCook, how ideas get started that way. I don't believe we suggested anything for you other than an idea suggesting, if the idea has merit, the treatment of the idea in to verbal encouragement or funding encouragement.

Take it and be aware of the idea.

Mr. BARRETT. Has you're trade association gone so far as to discuss this yet as an idea?

Okay, it's interesting. Thank you. Ms. Collins, what's the job placement rate now at your school?

Ms. COLLINS. The last calendar year, we had 97 percent. And that, in our placement rates, the counsel for those students that are placed in a position.

Mr. BARRETT. Okay, thank you. You mentioned in your testimony that career schools in Nebraska have recommended some changes in Nebraska consumer protection laws. I saw somewhere here in your testimony.

Could you embellish that just a bit?

Ms. COLLINS. About cost estimates, it took approximately 6 months, it was completed last December.

That simply added more guidelines as far as ranking schools, schools coming in as opening up new educational opportunities, about 1,500 group found as a real need in our statutes.

Mr. BARRETT. What is the disposition of the recommendation now?

Ms. COLLINS. It is law.

Mr. BARRETT. It is law?

Ms. COLLINS. Yes.

Mr. BARRETT. Okay. Thank you very much.

Mr. Chairman, Thank you.

Chairman WILLIAMS. Congressman Barrett is the only speaker I've ever met from a unicameral legislature. Of course you've got the only one around here.

How's it work? All right? Satisfied? We're wondering about it in Montana.

Well, Bill, you were right. You invited a group of a dozen experts and the testimony here extended is as helpful, pointed, specific,

with good recommendation, as any I've heard and I served two Congresses as Chairman of this subcommittee and have led many hearings.

This is, this is as good and the testimony as good as any I've been at, so you were good to your word and you had experts here.

Mr. BARRETT. Thank you, and may I ask you to yield for a moment?

Chairman WILLIAMS. Yes.

Mr. BARRETT. We have some additional testimony submitted to the subcommittee by Doctor Larry Schultz, Acting Director of Nebraska State College Association.

Chairman WILLIAMS. Okay. That'll be placed in the record, and I will leave the hearing record open at your Congressman's request, for 1 month from today.

If there are other Nebraskans, and we may sneak some testimony in from Montana there as well, if there are other Nebraskans who would like to include, any one here, who would like to make an additional point, would you please send your testimony to the Subcommittee on Postsecondary Education in Washington, DC; we'd be more than happy to include it in the printed record.

And so without objection, we'll leave the hearing record open for 1 month from today.

I'm delighted to have been with you here, Bill. It's an excellent hearing. Thank you so much for inviting me.

Mr. BARRETT. Thank you. We are, again, delighted to have you here, Pat, and may I say in conclusion, at least for my part, I believe that this hearing was far more successful than the last subcommittee hearing held in the great State of Nebraska, which was approximately 2 years ago, as I recall.

The Interior Committee came out to Nebraska to talk about the Niobrara River. As far as I am concerned, this is a far more successful hearing.

Thank you again for coming, Mr. Chairman.

Chairman WILLIAMS. Two things we hear a lot about from Nebraska is Niobrara River and "go big red."

Well, this hearing is adjourned.

[Whereupon, the subcommittee was adjourned.]

[Additional material submitted for the record follows.]

Testimony Submitted to the
Postsecondary Education Subcommittee of the Education and Labor Committee
Hearing date July 15, 1991, Kearney, Nebraska
The Nebraska State College System, Dr. Larry Schultz, Acting Director

The Nebraska State College System, consisting of Chadron State College, Peru State College and Wayne State College, is governed by a Board of Trustees and administered from a System Office located in the State Capitol in Lincoln, Nebraska. The following are System Office recommendations regarding reauthorization of the Higher Education Act of 1965.

Title I (Programs for Nontraditional Students): We recommend combining unfunded authorities of Titles I and XI to create a new program for outreach, community service and continuing education. Part B, Partnerships for Continuing Higher Education, would authorize grants to support programs to serve the continuing education needs of adult learners. Currently, 44 percent of all students in Nebraska State Colleges are nontraditional students, many are place bound. The State Colleges currently offer 350 off-campus courses at 100 different sites to serve more than 4,200 Nebraska students. As in other states, public funding for the Colleges has declined. Additional sources of revenue must be identified if these students will continue to be served.

Title II (Academic Libraries and Information Technology): The Nebraska State Colleges have just begun the second year of a three-year library automation project through MIDNET, a node on Internet. We would support AASCU's recommendation to change the Title to "Academic Libraries in an Electronic Networked Environment." The availability of grant money for linking needy institutions to library resource sharing networks is crucial. We also support their recommendation to emphasize projects related to Internet/NREN.

Title III (Institutional Aid): Title III is the only federal aid program that provides direct assistance for academic and financial development to institutions serving large proportions of disadvantaged students. Many students at Nebraska's State Colleges are first generation college students; 25 percent are from poverty level families. Wayne State College, in particular, is surrounded by the nine poorest counties in Nebraska.

The Nebraska State College System urges reauthorization of Title III at increased funding levels, with the following specific recommendations:

a. Part A identifies a setaside for community colleges. Dr. William Harvey, President of Hampton (VA) University, offered testimony to the subcommittee earlier this year that explains the situation succinctly: "When the program was first established, 76 percent of funds were reserved for baccalaureate degree-granting institutions. In 1980 this was changed to a 24 percent floor for community colleges, but their participation expanded rapidly and by the mid-1980s they received 78 percent of Part A funding. In 1986 their setaside was changed to a fixed amount of $51.4 million, representing their current level of funding. When appropriations for the program were reduced in FY '88, their level of funding was protected, but four-year institutions received no new grants and had their continuing grants reduced by 40 percent. Community colleges still receive about 75 percent of Part A funds."

We urge you to increase funding to the extent that four-year institutions are funded at a more equitable level. Nebraska's State Colleges are heavily dependent on state aid and tuition revenue and have no recourse to any other federal grant funds.

b. Part C Endowment Challenge Grants currently provide about 20 matching grants annually to institutions to establish or increase their endowments, and help protect the fiscal stability of small, underfunded institutions such as the State Colleges (fall enrollment figures for Nebraska State Colleges: Chadron State College, 3,228 students; Peru State College, 1,620 students; Wayne State College 3,627 students). We would support increasing general Part C authorization from $20 million to $75 million, reducing the wait-out period from 10 to five years to provide additional opportunities for institutions to seek matching grants, and the premise that grants should be capped relative to the size of the appropriation to prevent the entire appropriation from being consumed by grants to only a few institutions.

Finally, we would concur with AASCU's recommendation that would allow institutions receiving Part A or B grants to participate in multiple cooperative agreements, with the option that grants could be awarded directly to formal consortia.

Title IV (Student Assistance): We support AASCU's recommendation to establish a $4,500 Pell Grant maximum, adjusted annually based on the Consumer Price Index. Again, this relates directly to the income levels of the families of students at Nebraska State Colleges, the number of nontraditional students and the number of first generation college students. Avoiding heavy college loans, especially in the first two years, contributes to keeping those students in school and focused on their academic course of study. AASCU has proposed a funding formula that we support, especially as it relates to low-income Pell recipients. Eligibility would be expanded to families with incomes up to $44,000 (this compares to a $25,000 family income in 1979, adjusted for inflation), to increase the participation of working-class families and to students attending four-year colleges.

Campus-based programs such as SEOG, SWS and Perkins Loans would be continued and expanded. Institutions doing a better job of retaining students and encouraging them to complete their programs would receive a larger allocation of funding.

The State Colleges are committed to helping students succeed. All have peer-supported tutorial programs, and the small classrooms and teaching-oriented philosophy encourage one-on-one dialogue. The State Colleges are positioned to benefit from this modification.

Title V Teacher Recruitment, Retention and Development: AASCU has recommended simplification of the program into three parts: recruitment of minorities into teaching, especially mid-career minorities; establishment of a program of partnerships between colleges and schools to promote the restructuring of elementary/secondary education and collegiate-based teacher preparation; and provision of professional growth activities for K-12 teachers, administrators and higher education faculty engaged in teacher training. The Nebraska State College System supports these modifications, as we believe they will help insure the preparedness of high school students for the college experience.

Title VII Academic Facilities: The Nebraska's State College System supports increased funding for Title VII projects, as well as expansion of projects eligible for funding and the simplification of allocation. State support for capital construction has diminished at the same time enrollments are increasing. Wayne State College hasn't built new classroom space in 20 years, for example, but during that time enrollment has nearly doubled. Chadron State's enrollment is up 43 percent since 1986 and 27 percent in the last two years. Peru State had 962 students in 1985 compared to 1,620 today. The campus is in dire need of expanded library space, but state funds are not available to provide it.

Title IX (Graduate Programs): All three State Colleges offer some graduate degrees; the MBA will be available this fall at Chadron State College and Wayne State College. We support fund allocation to enhance the quality and diversity of college faculty and to expand graduate opportunities for underrepresented groups through grants and fellowships.

Thank you for your consideration of this testimony.

Testimony
of
Dr. Dale G. Zikmund

on

Cooperative Education
Title VIII of the Higher Education Act

Before The

House Education and Labor Subcommittee
on
Postsecondary Education

Honorable Bill Barrett
Presiding

July 15, 1991

TESTIMONY ON COOPERATIVE EDUCATION

Congressman Barrett, My name is Dr. Dale Zikmund. I am a professor of Vocational Education at the University of Nebraska at Kearney. It is a real privilege for me to be able to address this committee regarding reauthorization of the Higher Education Act. My comments will deal specifically with Title VIII, Cooperative Education.

Cooperative education is a process of educational methodology to prepare individuals for employment by combining occupational and academic instruction which is then applied at actual work sites. The instructional plan provides for specific skills, knowledge and attitudes to be attained in the classroom that can be applied and refined in an actual work experience. There is a high degree of interaction, coordination and correlation between academic instruction and work site experiences. Cooperative education is organized to assist in achieving an individual's career goals and provide immediate application and continuous feedback between student, teacher-coordinator and employer. The program gives students an opportunity to acquire career experience and enhance personal growth while, in many cases, helping defray college expenses. Each year thousands of employers in business, industry, and government cooperate with higher education institutions to provide training experiences that meet student's career goals and contribute to their future employability.

Nebraska has two institution-wide cooperative education programs partially funded under Title VIII of the Higher Education Act. Those two programs are located at Peru State College and Central Community College with campuses at Columbus, Grand Island, and Hastings. In just a short time-span, these two institutions have served over 200 students. These students have grossed more than $478,000 in wages and returned a substantial amount in the form of taxes to the State and Federal treasuries. One of the best success indicators of any cooperative education program is the placement rate of graduates in occupations relevant to their career choice. These two programs have placement rates of 85% and 72% respectively.

Cooperative education is based on the premise that students learn most effectively by doing and this is especially true when they are engaged in direct, purposeful experiences. Another philosophical premise of cooperative education is that the value of direct purposeful experiences are enhanced when opportunities are provided for reflection and interpretation. Time is provided to reflect on the experiences, to interpret their value, their meaning, and to develop higher order thinking skills.

There are numerous benefits to all those involved in cooperative education. Employers receive many direct and indirect benefits from hiring cooperative education students. They receive an employee that has been pre-screened,

assessed, counseled, and given basic skills training before being hired. A trained teacher/internship-coordinator from the educational institution is available for supportive services to sustain an effective cooperative relationship between the student, the employer, and the educational institution. Entering into this joint educational venture helps reduce employee turnover which can contribute to a more accountable and performance driven business operation. And, through hiring a cooperative education student, employers have direct involvement into the educational process of an individual and the institution so that each contributes to a more highly trained employee for today's labor market.

Student benefits are more generally related to the application of academic theory with practical applied technological concepts. These increase the educational motivation from an applied standpoint and produce a stronger desire to learn. Students develop a greater understanding of the employer-employee relationship by utilizing the adult-oriented, working community as a laboratory for learning while developing better human relation skills. For the inexperienced student, cooperative education contributes to accelerated maturation, development of a positive self-concept, sense of responsibility and the ability to make intelligent judgements. As a result of the participation in cooperative education, students make useful employment contacts for the future, gain first-hand occupational information to validate their interest and test their abilities in connection with real jobs, and hopefully gain a healthy attitude toward discovering their strengths

and weaknesses for real application in the world of work. Also important to the student is the compensation through regular income, and benefits for such things as financial aid, health insurance, workers compensation, and income for family or future educational expenses. Most students hold cooperative education in high regard because of the placement rate or higher salary and positions which may result from a successful experience. Students also receive academic credit for successful participation in cooperative education.

Educational institutions also benefit from participating in cooperative education. Today, it is difficult for schools to keep up with changing technology because of the high cost of equipment. However, through cooperative education, students get the opportunity to train on state of the art equipment and in modern facilities.

Once involved in cooperative education, employers actually become adjunct instructors for the educational institution in a setting more relevant and conducive to the students. Even though employers have a substantial investment in time and dollars in the training, they are offered some incentives as a result of participating. One is the opportunity to retain an enthusiastic worker trained by the company to do the things the way they want them done. Even though there is no obligation by an employer to employ a student upon completion of their cooperative education internship.

Continued federal support for cooperative education through Title VIII funds is needed. First, some students may need to participate to earn money to stay in school. We all know there has been a reduction in available financial aid. Second, institutions of higher education are struggling with budget reductions. This is true in Nebraska as well in most other states. Third, funding under the Carl D. Perkins Vocational and Applied Technology Education Act has changed affecting higher education institutions. Since some cooperative education programs are housed in vocational education departments or centers, this could result in a serious reduction of programs available to students.

Currently, 85% of the Federal funds available under Title VIII support implementation of new cooperative education programs and the remaining 15% of the funds are used for resource and training centers, research, and innovation activities. All of which needs to be retained.

The U.S. Department of Education's reauthorization proposal of 17 million dollars is not enough. Title VIII funding for Cooperative Education needs to be 45 million dollars to allow for five years of administrative funding to institutions plus five years of formula funding not to exceed 25% of the total program budget.

Even though Cooperative Education has been highly successful at the postsecondary level, there are certain quality indicators that would make good

programs excellent. These quality indicators include: advisory councils, transition and articulation (2+2) of secondary cooperative education students and programs with postsecondary programs; and apprenticeship credit for cooperative education experience. Another extremely important factor is national data collection for all levels of cooperative education. The data could be provided to congress to show not only the status of cooperative education, but report the return on the investment of federal funds. I would like to briefly expand on these quality indicators. First, an advisory council should be appointed by the local governing board for the purpose of providing counsel, direction, and assistance to the cooperative education program. The council should meet a minimum of two times annually, record minutes, and prepare an annual report to the local governing board on the accountability of the cooperative education program. Council members must include representatives from business and industry, public agencies, students, and individuals of special populations. Both sexes and minorities must be represented as well. Ex-officio members should include teachers and administrators.

Secondly, articulation is a planned process linking two or more educational systems to help students make a smooth transition from one level or program to another without experiencing delays or duplication of learning. It is critical that the reauthorization of Title VIII require articulation agreements between secondary and postsecondary cooperative education programs. This process will

help students save time, and money without loss of academic credit.

Apprenticeship programs administered by the U.S. Department of Labor, Bureau of Apprenticeship and Training, and Cooperative Education administered by educational institutions have the same goals, that of ultimately preparing people for employment. Each has its own identity, objectives, and methodology. Linking these two programs would offer students an opportunity to begin apprenticeship prior to graduation resulting in a direct transition from education to employment. The reauthorization should encourage interagency agreements between higher education institutions and those responsible for apprenticeship at the state and/or local level.

A nationally coordinated data gathering system is needed to report the effectiveness and economic benefits of cooperative education. Policymakers need concrete facts on the contributions of cooperative education to economic development and a trained labor force. This can only be accomplished with legislation which encourages state leadership and provides financial support. I would encourage you to consider including a national data gathering process into the reauthorization of Title VIII of the Higher Education Act.

Please include Title VIII in the reauthorization of the Higher Education Act with the suggested amendments.

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And finally, I strongly encourage you and your committee to include Title VII in the reauthorization of the Higher Education Act. Further, I hope that you will give consideration to the suggestions I have made. Thank you for your time and I would be glad to answer any questions you might have.

Testimony Presented by:

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